

REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR 1984-85

(CIVIL)

GOVERNMENT OF KERALA

REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR 1944

1945

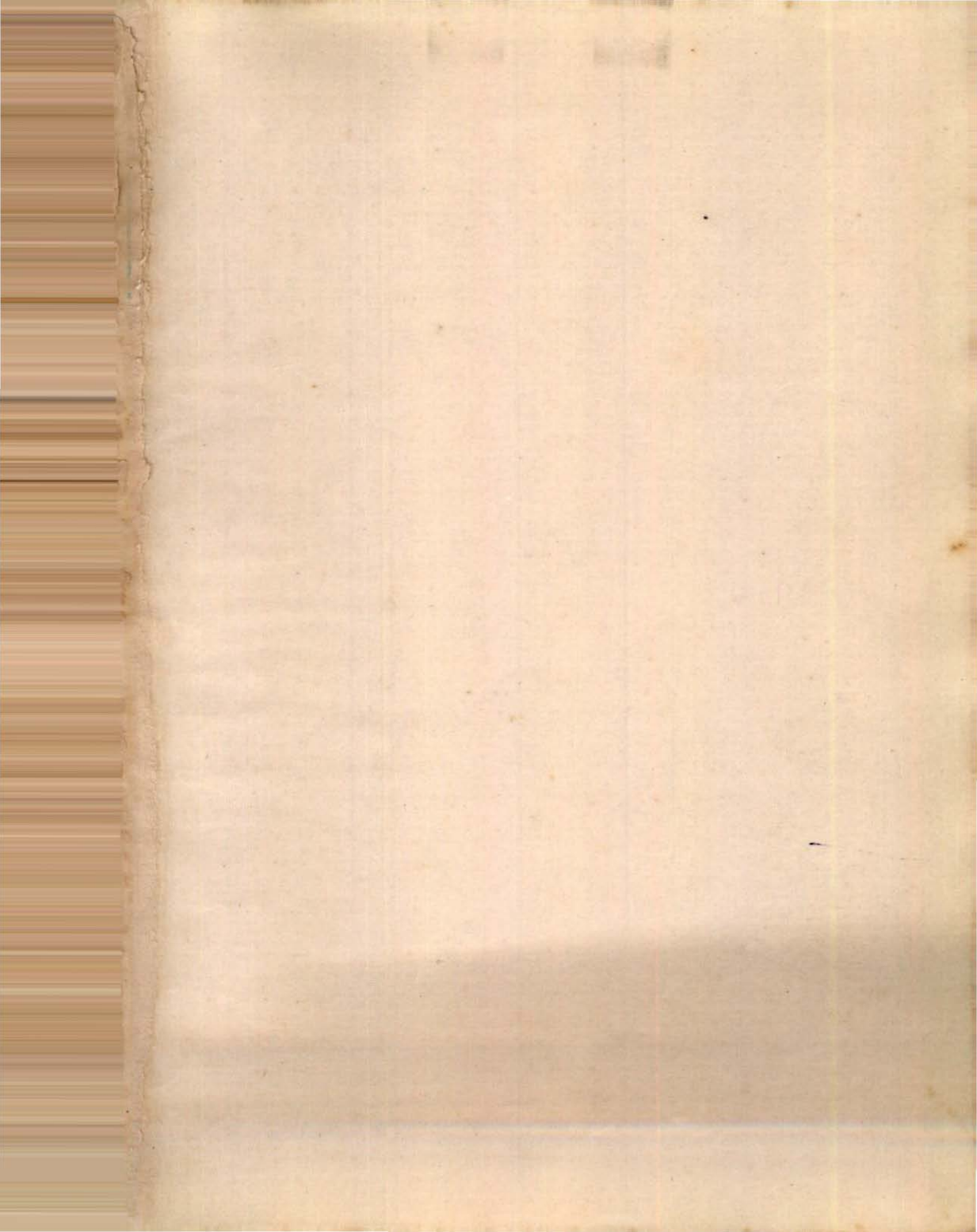
GOVERNMENT OF INDIA

ERRATA

Report of the Comptroller and Auditor General of India for the year
1984-85 (Civil)—Government of Kerala

Page	Reference to paragraph/line	For	Read
22	Line 7	Accountant	Accountant
25	Footnote	original	original
33	Line 19	excess	excess/
34	Line 8	Rs. 55.58 lakhs.	Rs. 52.62 lakhs.
41	Line 21	cos	cost
43	Line 10	sugar	sugar:
46	Line 8	Th	The
52	Last line	ncluding	including
59	Line 1	different al	differential
59	Line 1	order	order of
60	Line 8 from bottom	casualty)	casualty).
62	Line 7	20 0	2050
78	Line 11 from bottom	Government.	Government.
79	Line 5	Seven	Three
79	Line 5	25.83	15.09
83	Last line	buildings	buildings
84	Last line	reasearch	research
99	Line 6 from bottom	shool	school
102	Line 7	euipment	equipment
109	Line 11	reigstration	registration
109	Line 7 from bottom	per	per-
112	First line	conitnue	continue
113	Line 2 from bottom	Committee	Committee
116	Footnote	available	available.
117	Line 3	societies	societies
121	Line 2 from bottom	utilising	utilising
123	Table: Heading—5th column	admissible	admissible
131	Last line	in deposit with a bank;	unrefunded;
135	Line 7	March	March
136	Line 8 from bottom	Karapauzha	Karapuzha
139	Line 18	59.355 Km.	59.353 Km.
143	Line 12 from bottom	per cen	per cent
145	Line 7 from bottom	agreement-	agreement.
148	Line 3	Stripping the inlet face of	1. Stripping the inlet face of

Page	Reference to paragraph/line	For	Read
148	Line 5 from bottom	entrusted	entrusted
149	Line 2	<i>contract</i>	<i>contract</i>
149	Line 3	additional	additional
149	Line 4	0.70 lakhs.	0.70 lakh.
149	Line 13	0.54 lakh	0.54 lakh.
149	Line 20	invoving	involving
149	Line 21	23.50 lakhs	23.50 lakhs.
154	Line 6 from bottom	22535 m;	22534m;
158	Line 14 from bottom	for-	<i>f.o.r.</i>
160	Line 5	prurchase	purchase
166	Line 5 from bottom	8.76	18.76
169	First line	fields'.	fields.
169	Footnote	Low-lying	*Low-lying
171	Line 13	1976.	1976,
175	Line 15	1985	1983
207	Line 3 from bottom	adoption	adoption.
209	Line 14 from bottom	reciever	receiver
210	Line 16	recieved	received
218	Line 15	organistional	organisational
236	Appendix 3.4-Line 4	<i>Writes of*</i>	<i>Writes off*</i>
236	Item VI (2)	Eeucation	Education
237	Heading-Column 3	<i>cascs</i>	<i>cases</i>
237	Footnote-item 6	Dir ctor	Director
238	First line	APZENDIX 4.1	APPENDIX 4.1
238	Heading-Column 5	<i>Net ar a</i>	<i>Net area</i>
238	Heading-Column 8	<i>million</i>	<i>(million</i>
240	First line	APZENDIX 4.2	APPENDIX 4.2
242	Item 14 (iv)-Column 5	Rs. 61,84/m3	Rs. 61.84/m3
243	Line 9-Column-4	embankement	embankment
243	Item 1-Column 4-Line 7	thicknes	thickness
243	Item 2-Column 4	fo	for
243	Item 3-Column 2	Sasthankotta	Sasthamkotta
244	Heading-Column 3	<i>arbitraion</i>	<i>arbitration</i>
244	Item 8-Column 2	24.000 m;	24,000 m;
244	Item 11-last column	departmentale	departmental
248	Item 2-Column 3	animal	Animal
248	Item 2-Column 4	feeds.	feeds,
248	Item 3-Column 4	spares parts	spare parts



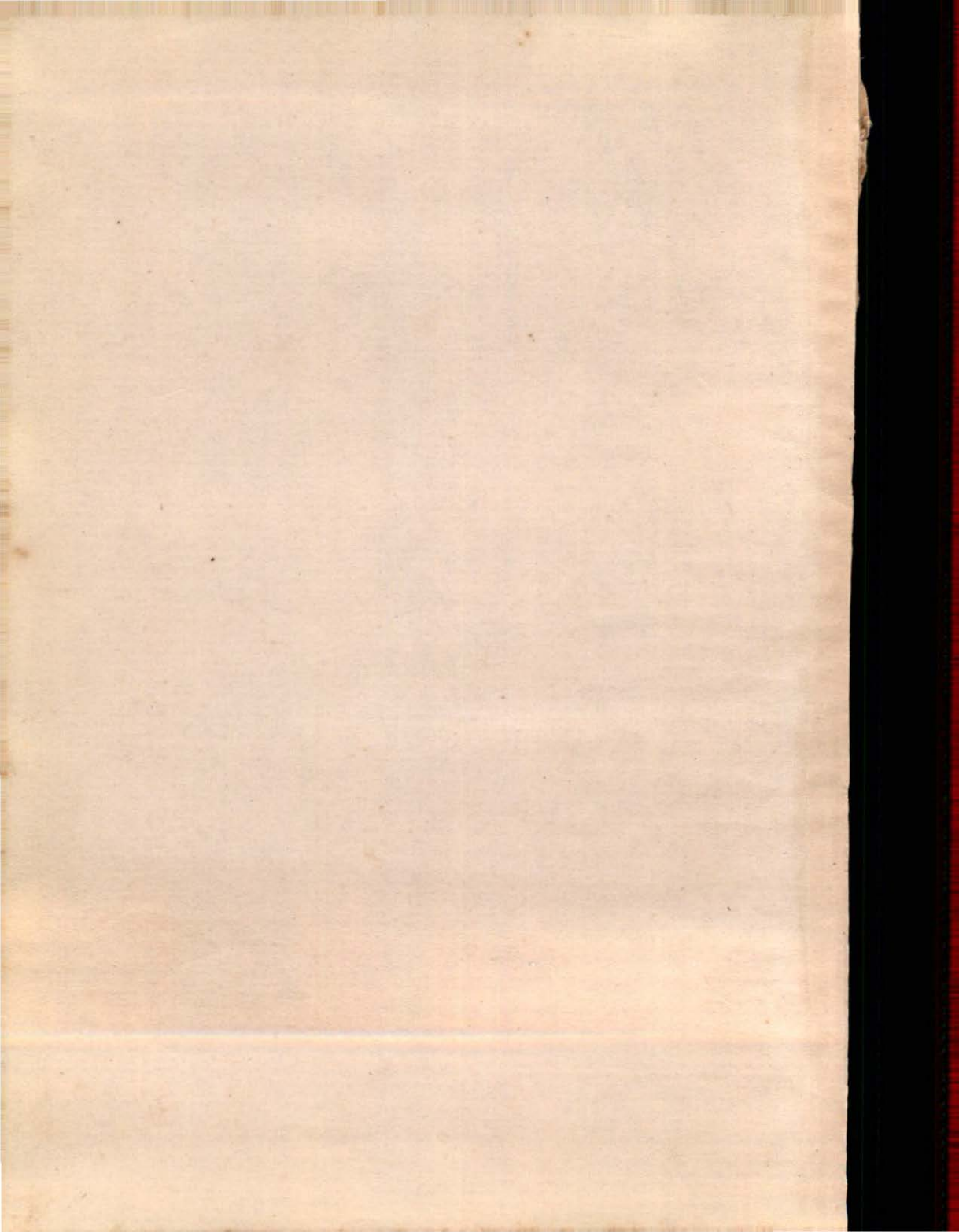
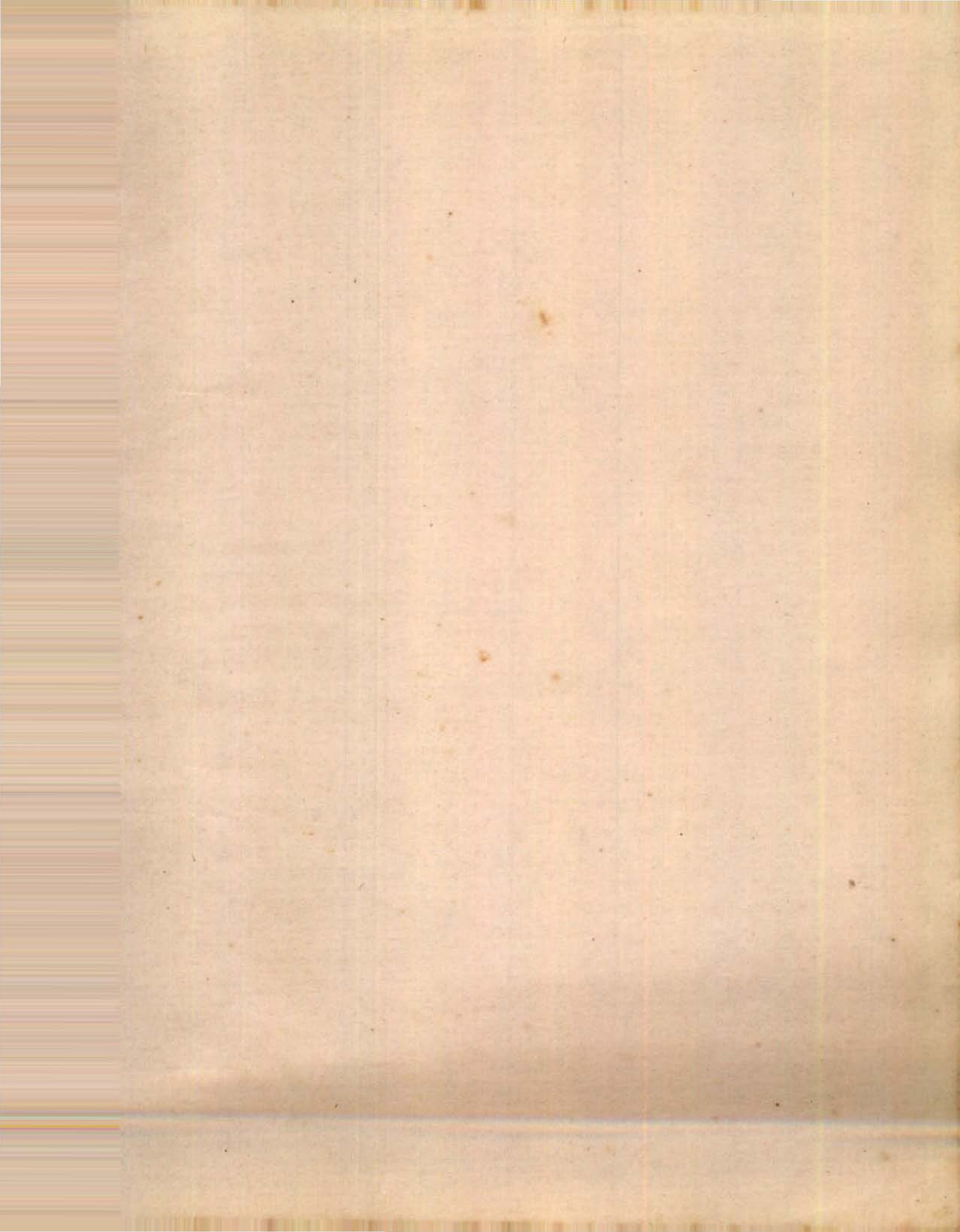
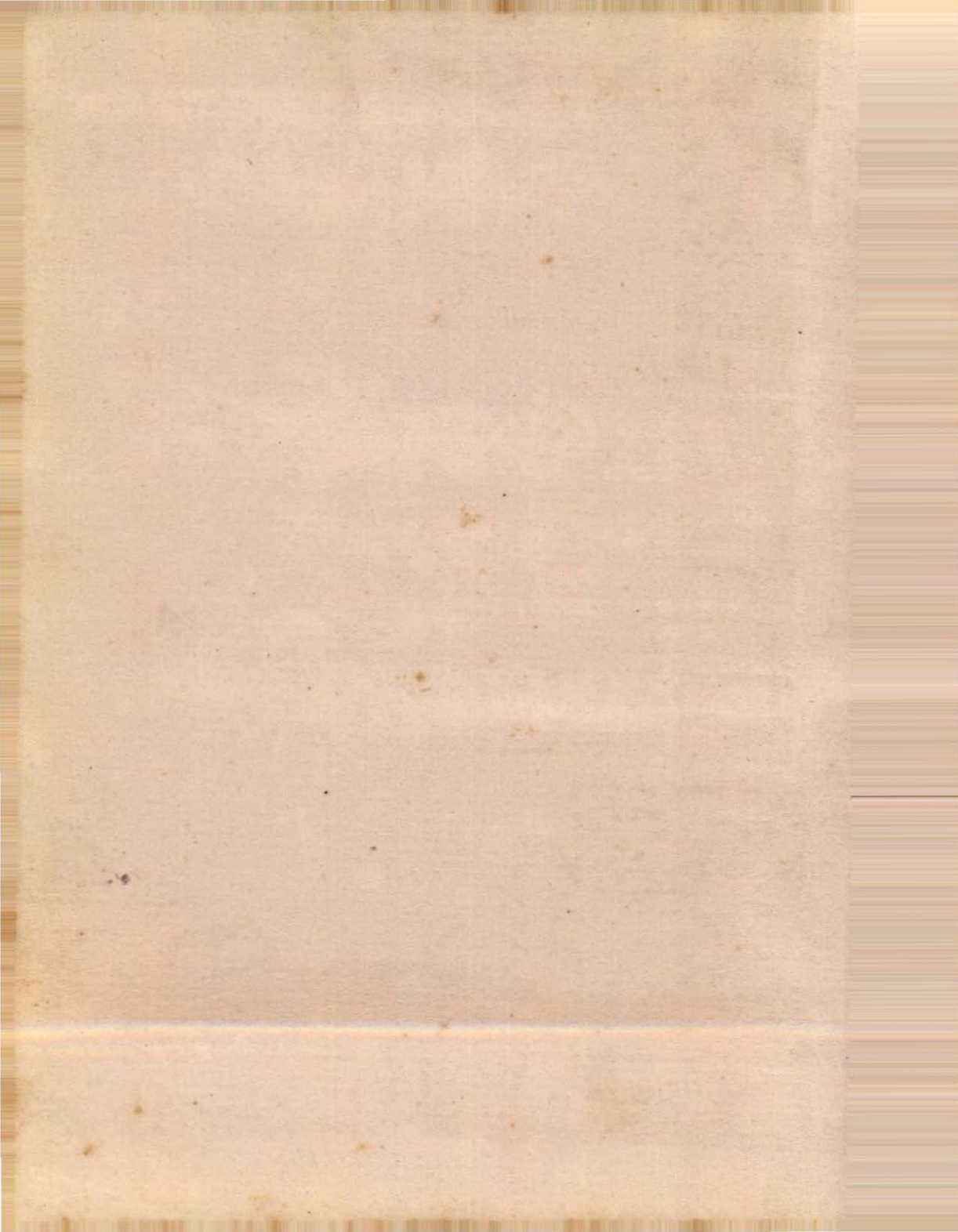


TABLE OF CONTENTS

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
Prefatory remarks		vii
CHAPTER I—GENERAL		
Summary of accounts	1.1	1—7
Comments on accounts	1.2	7—11
CHAPTER II—APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE		
General	2.1	12
Results of appropriation audit	2.2	12
Supplementary provision	2.2.01	12
Unnecessary/excessive/inadequate supplementary provision	2.2.02	13
Saving/excess over provision	2.2.03	13
Unutilised provision	2.2.04	13—14
Significant cases of savings under schemes	2.2.05	15—17
Persistent savings	2.2.06	17—18
Injudicious re-appropriation	2.2.07	18—19
Irregular re-appropriation	2.2.08	19
Surrender of savings	2.2.09	19—21
Trend of recoveries and credits	2.2.10	21
Advances from the Contingency Fund	2.2.11	21
Absence of departmental reconciliation	2.2.12	22
Budgetary procedure and control of expenditure	2.2.13	22
Non-receipt of explanations for savings/ excesses	2.2.14	22—23
Excess of earlier years pending regularisation	2.2.15	23
Co-relation of expenditure with physical progress	2.2.16	23—26
Drawal of funds in advance of requirements	2.2.17	26

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
CHAPTER III—CIVIL DEPARTMENTS		
Food Department		
Public Distribution System	3.1	27—44
Agriculture Department		
Soil Conservation Research Station, Konni	3.2	44—46
National Project on Biogas Development	3.3	46—52
Forest Environment and Wildlife Department		
Afforestation and Social and farm forestry including rural fuel wood plantations	3.4	52—66
General Administration Department		
Tourism	3.5	67—79
General Education Department		
Universal elementary education in the age group 6-14	3.6	79—87
Adult Education Programme	3.7	87—92
State Institute of Education	3.8	92—104
Health and Family Welfare Department		
Purchase of films for 'Family Welfare'	3.9	105
Higher Education Department		
Non-recovery of liability from teaching staff of Engineering Colleges, deputed for higher studies	3.10	105—106
Non-commissioning of a cargo lift	3.11	106
Home Department		
Hospitals for Police personnel	3.12	106—107
Long delay in occupation of residential quarters	3.13	107
Labour and Rehabilitation Department		
Employment Exchanges	3.14	108—122
Scheduled Castes and Scheduled Tribes Development Department		
Rehabilitation of bonded labour	3.15	122—132
General		
Misappropriations, losses, etc.	3.16	132
Writes off and waivers	3.17	132





CHAPTER IV—WORKS EXPENDITURE

Irrigation Department		
Major and Medium Irrigation Projects	4.1	133—161
Kuttiadi Irrigation Project—		
Extra expenditure due to adoption of incorrect data	4.2	162
Pazhassi Irrigation Project—		
Avoidable expenditure owing to departmental lapse	4.3	162—163
Pamba Irrigation Project—		
Extra expenditure due to retender	4.4	163—164
Undue benefit to contractors	4.5	164—165
Flood control works	4.6	165—175
Home Department		
Delay in construction of a building	4.7	175—176
Extra expenditure due to delay in acceptance of quotation	4.8	176—177
Health and Family Welfare Department		
Extra expenditure	4.9	177—178
General		
Cash Settlement Suspense Account	4.10	178—179

CHAPTER V—STORES AND STOCK

Irrigation Department		
Purchase of cast iron sluice valves with accessories	5.1	180—184
Purchase of PVC pipes far in advance of requirements	5.2	184—185
Fisheries and Ports Department		
Idle stock of stores	5.3	185
Agriculture Department		
Excessive stocking of copper sulphate	5.4	185—186
General		
Non-receipt of consolidated stock accounts	5.5	186

Reference to

	<i>Paragraph</i>	<i>Page</i>
--	------------------	-------------

CHAPTER VI—COMMERCIAL ACTIVITIES

General	6.1	187—189
Public Works and Transport Department		
State Water Transport Department	6.2	189—204
General Education Department		
Loss due to revision of text books	6.3	204

CHAPTER VII—FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION I

General	7.1	205
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SECTION II

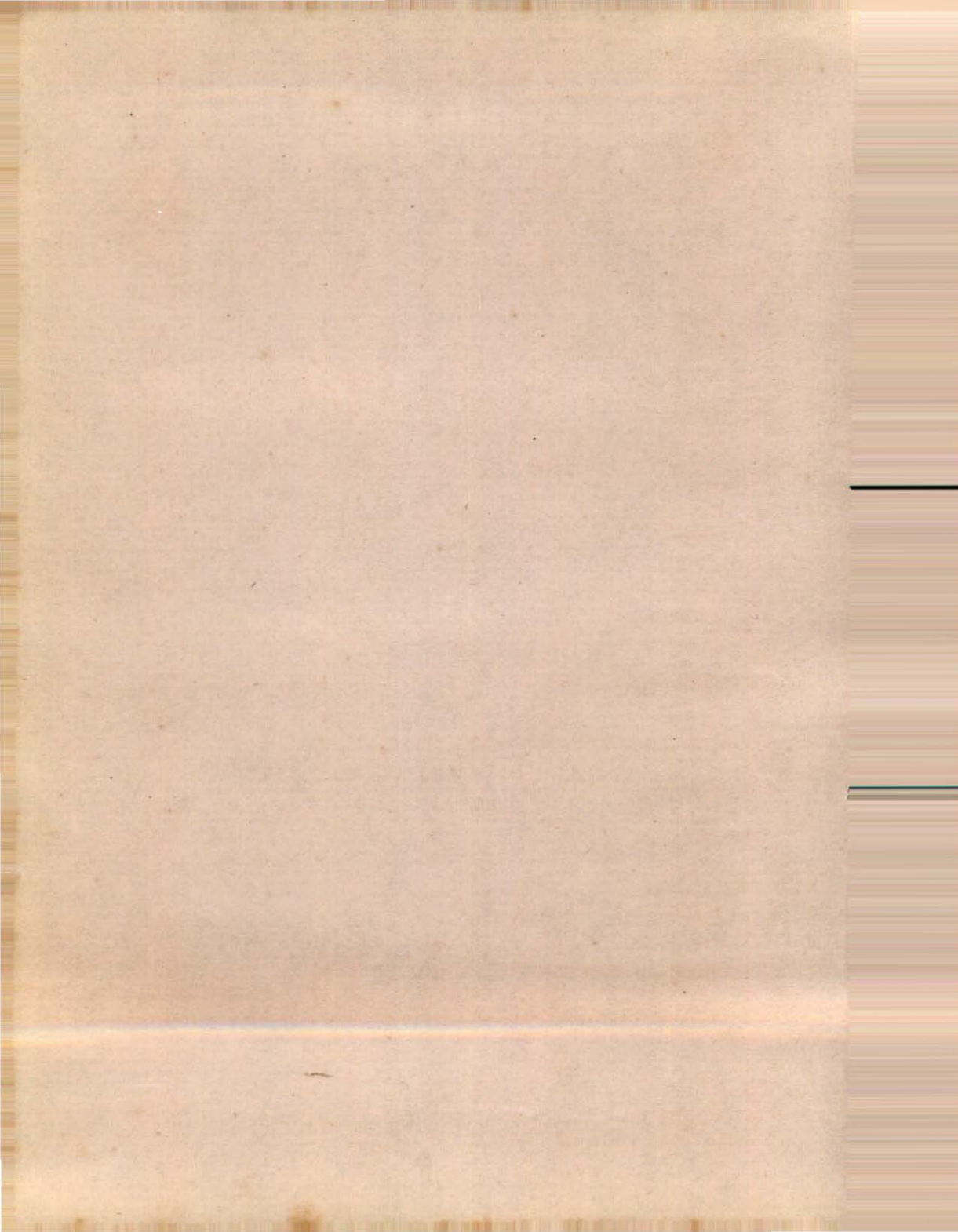
Bodies and Authorities substantially financed by Government grants and loans	7.2	205—206
Planning and Economic Affairs Department		
Centre for Earth Science Studies	7.3	206—210

SECTION III

Grants and loans for specific purposes	7.4	210—211
Revenue Department		
Financial assistance to Kerala Wakf Board	7.5	211
Agriculture/Industries Department		
Financial assistance provided to bodies	7.6	212—214
Agriculture Department		
Short term loan for purchase and distribution of agricultural inputs	7.7	214—215
General Education Department		
Extra expenditure due, to deviation from rules	7.8	215—216
Higher Education Department		
Kerala Grandhasala Sangham	7.9	216—218

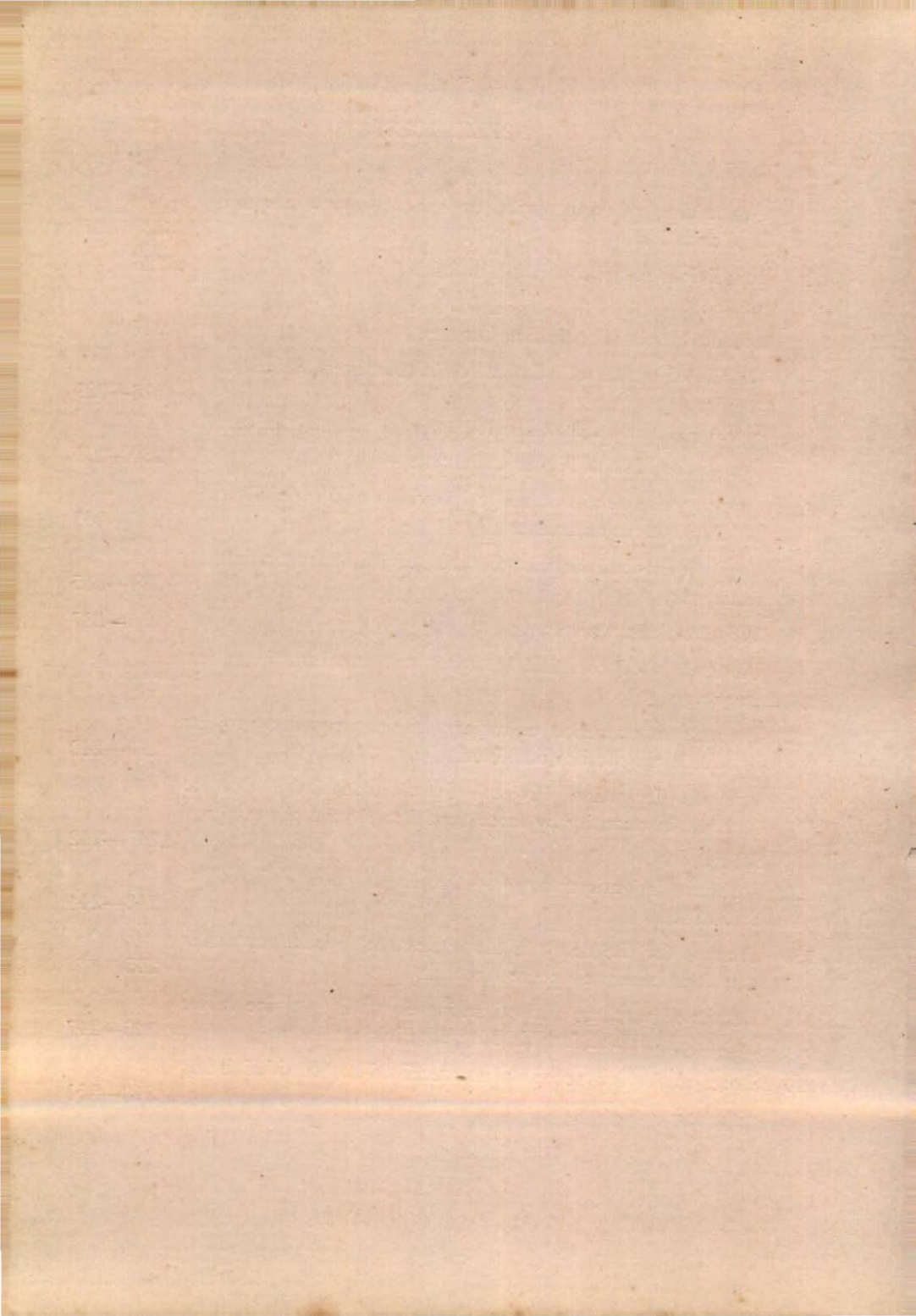
SECTION IV

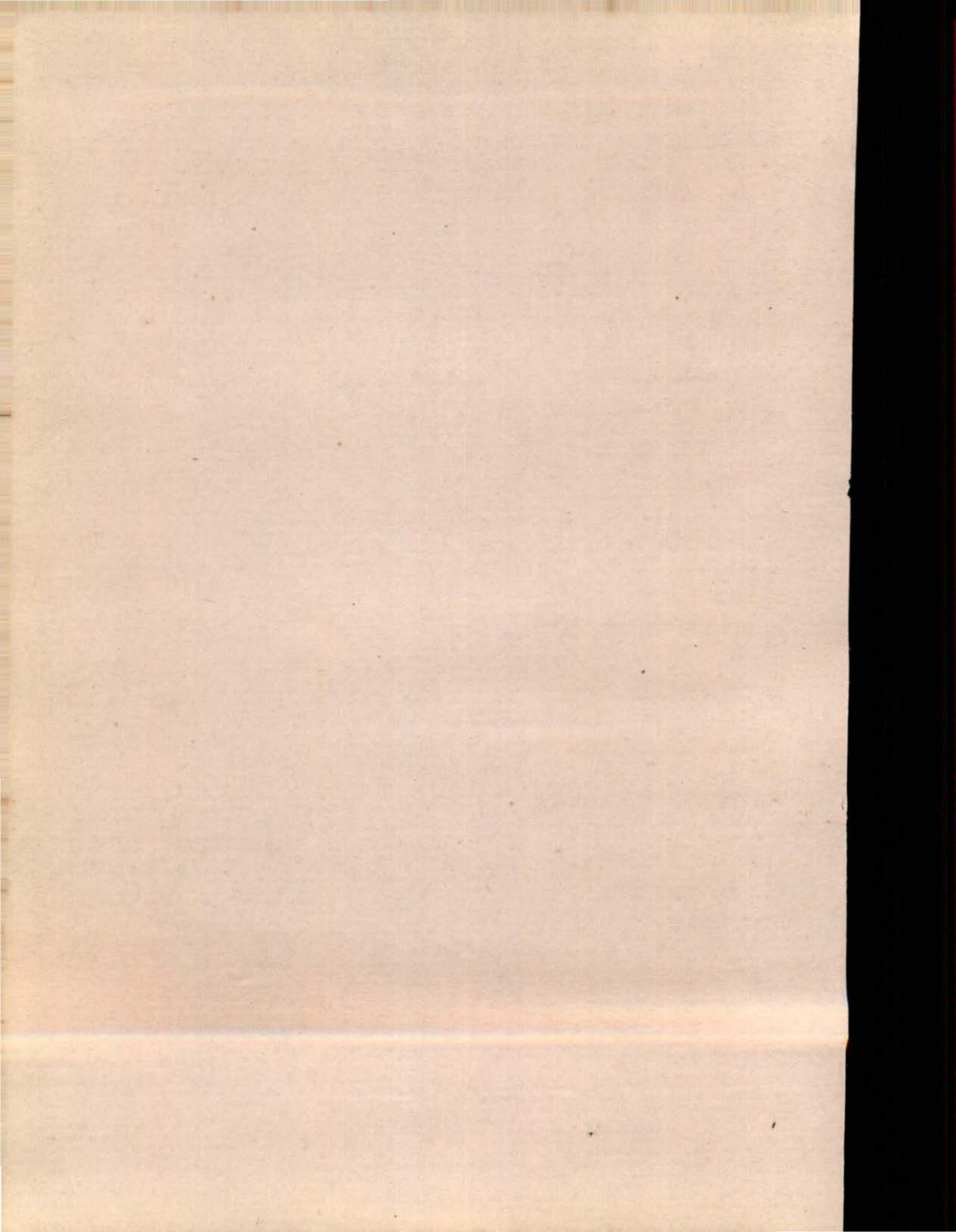
Investments in and financial assistance to co-operative societies		
Co-operation Department		
Financial assistance to Co-operative societies	7.10	219—222



APPENDICES

	<i>Page</i>
2.1. Grants/charged appropriations where excess requires regularisation	225
2.2. Injudicious re-appropriation of funds	226
2.3. Particulars of defects noticed in regard to control of expenditure by Controlling Officers	227
2.4. Details of cases of drawal of funds in advance of requirements	228—229
3.1. Social forestry works under NREP—extra expenditure due to adoption of higher wage rates	230—231
3.2. Activity-wise details of budget provision and expenditure on employment exchanges	232—233
3.3. Department-wise details of cases of misappropriations, losses, etc.	234—235
3.4. Writes off and waivers	236—237
4.1. Particulars of completed major and medium irrigation projects	238
4.2. Progress in execution of major/medium irrigation projects still remaining to be completed	239—240
4.3. Kallada Irrigation Project—Extra expenditure due to increase in quantity by more than 125 <i>per cent</i> of the agreed quantity	241—242
4.4. Kallada Irrigation Project—Details of cases referred to arbitration	243—244
4.5. Reasons for the delay in the settlement of balances under Cash Settlement Suspense Account	245
5.1. Details of purchase and utilisation of cast iron sluice valves and accessories as furnished by the divisions	246—247
5.2. Stores and stock accounts not received/not certified being defective	248—251





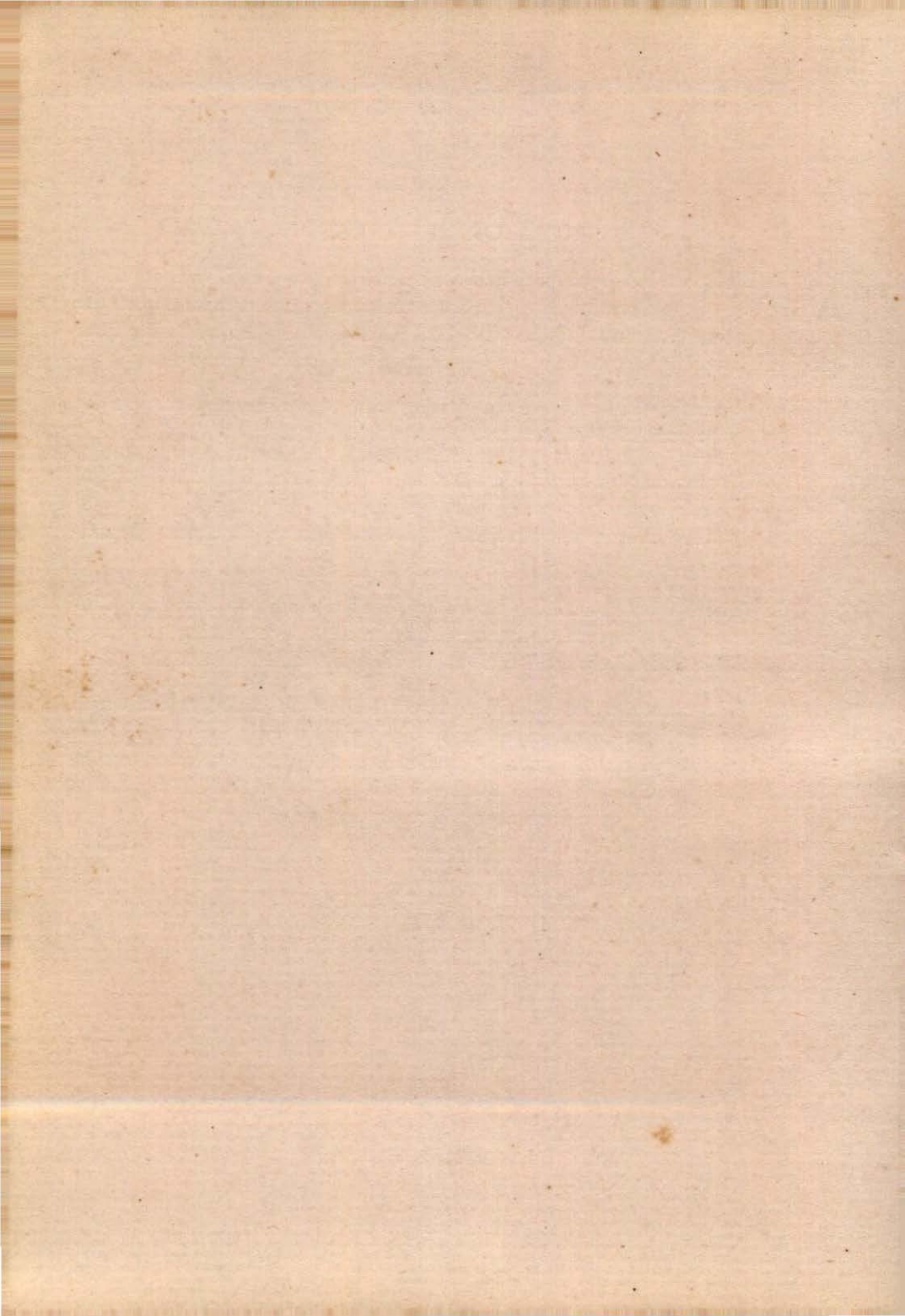
PREFATORY REMARKS

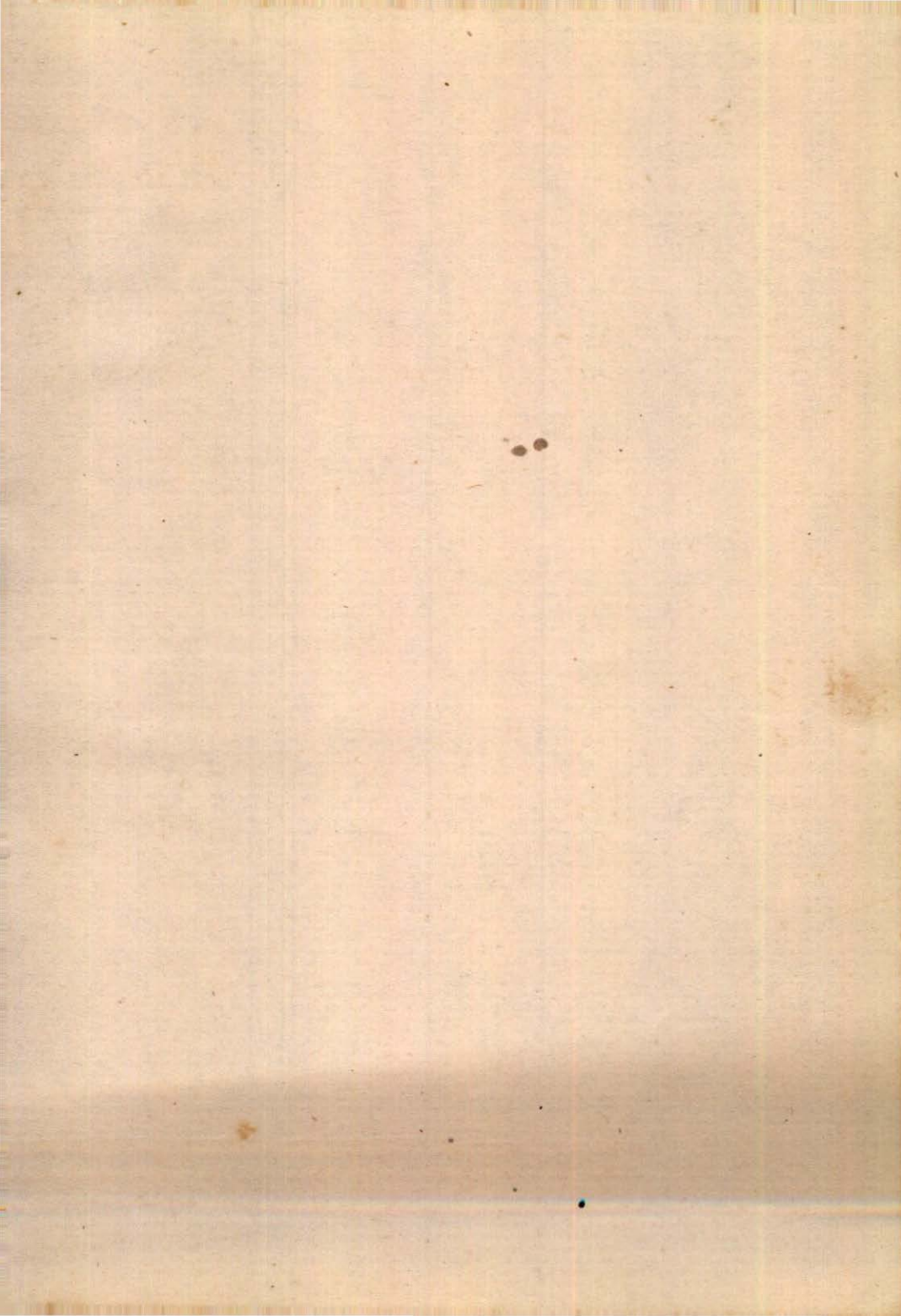
This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1984-85 and other points arising from audit of financial transactions of the Government of Kerala. It also includes:—

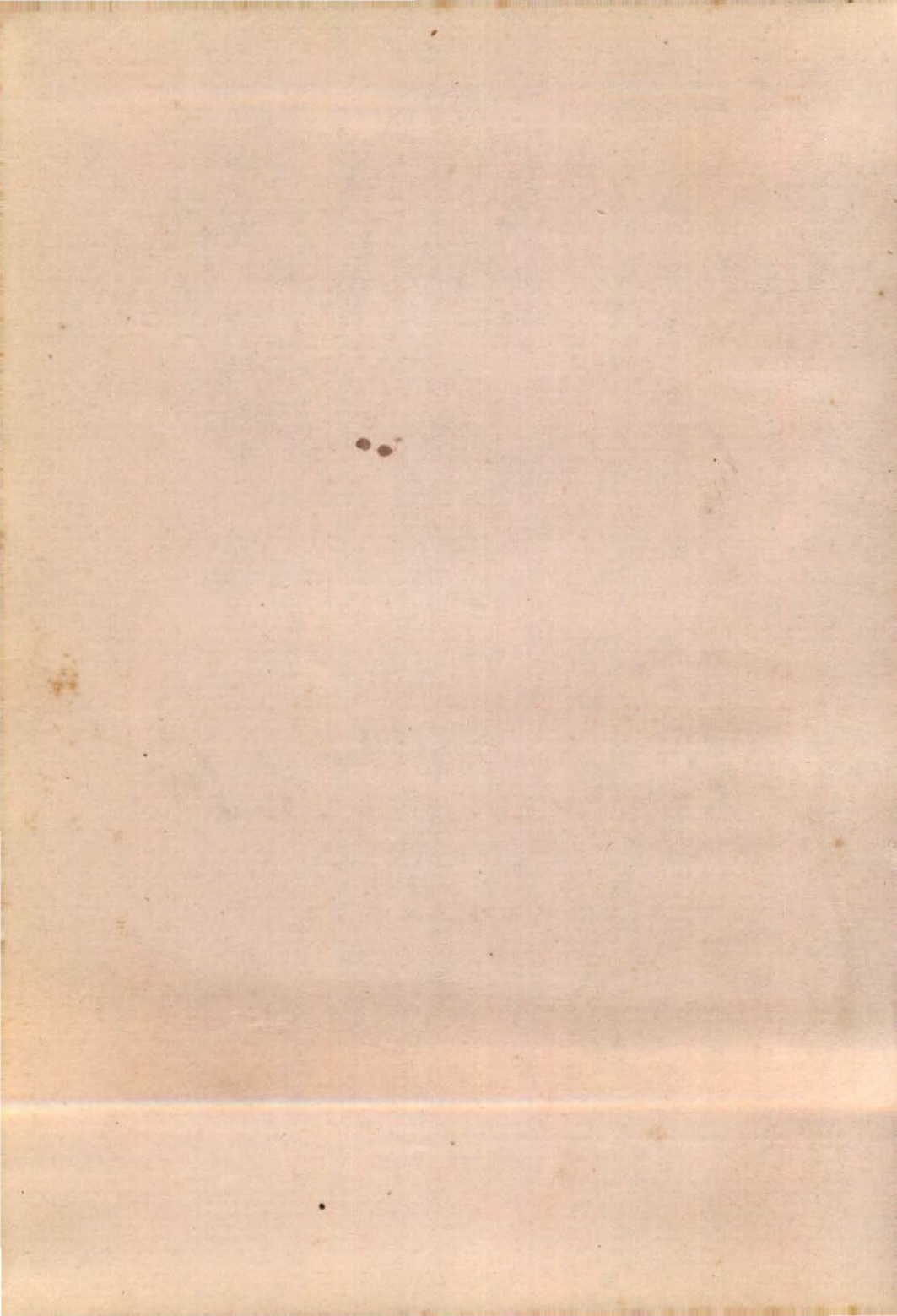
- (i) certain points of interest arising from the Finance Accounts for the year 1984-85; and
- (ii) comments on Public Distribution System, Social Forestry, Tourism, State Institute of Education, Employment Exchanges, Major and Medium Irrigation Projects and State Water Transport Department.

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

3. The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during the year 1984-85 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1984-85 have also been included, wherever considered necessary.







CHAPTER I

GENERAL

1.1. Summary of accounts

The summarised position of the accounts of the Government of Kerala emerging from the Finance Accounts for the year 1984-85 is indicated in the statements following:—

1. Statement of financial position of the Government of Kerala as on 31st March 1985

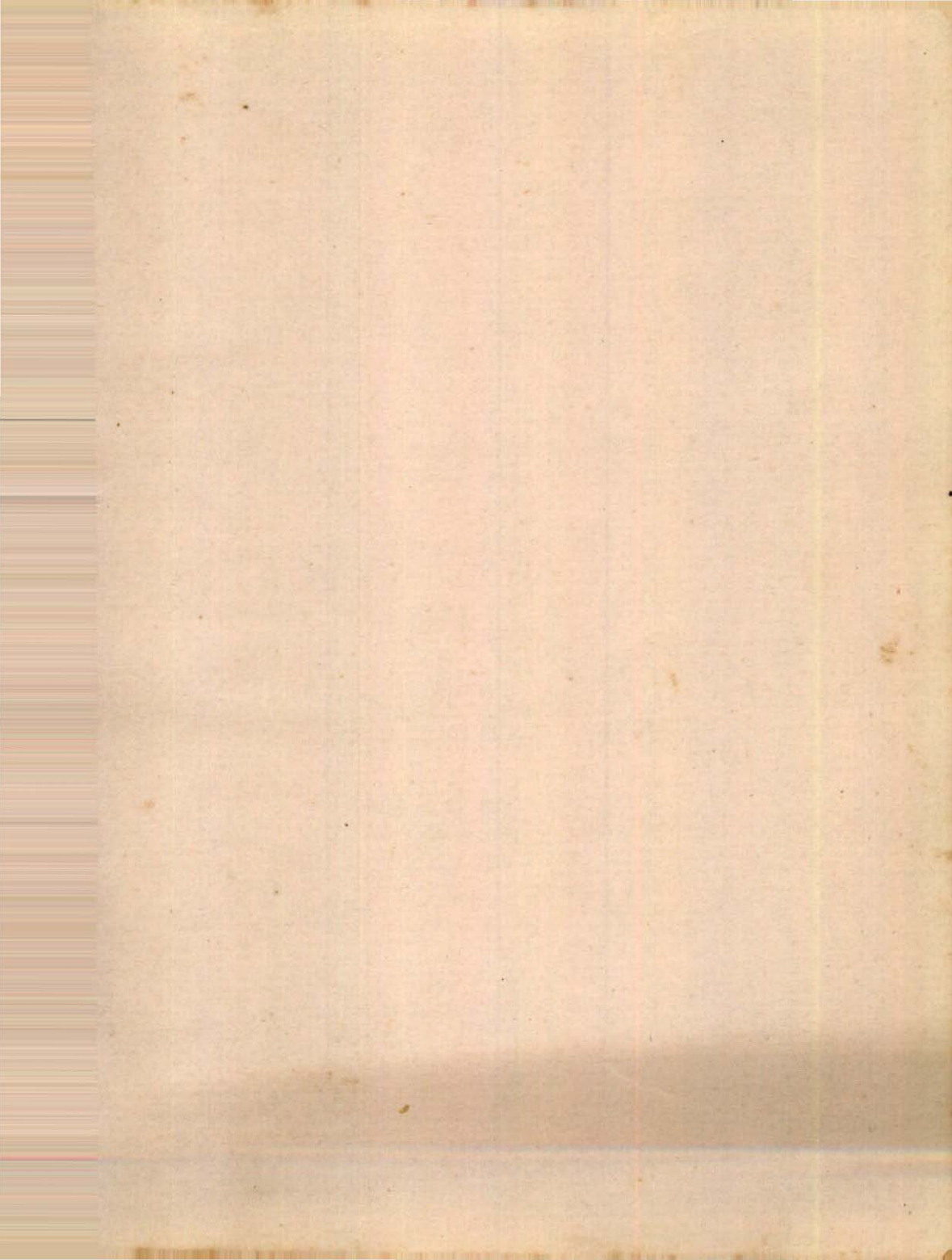
<i>Amount as on 31-3-1984 (Rs. in crores)</i>	<i>Liabilities</i>	<i>Amount as on 31-3-1985 (Rs. in crores)</i>
2,89.21	Internal Debt including ways and means advances (Market Loans, Loans from Life Insurance Corporation of India and others and ways and means advances but excluding overdrafts)	3,27.35
9,14.09	Loans and Advances from Central Government:—	9,54.96
3,55.94	Pre 1979-80 Loans	3,43.09
2,16.00	Non-Plan Loans	2,19.78
3,12.79	Loans for State Plan Schemes	3,58.39
17.88	Loans for Central Plan Schemes	19.50
11.48	Loans for Centrally Sponsored Schemes	14.20
3,86.36	Small Savings, Provident Funds, etc.	4,55.28
94.50	Deposits	1,07.12
63.69	Overdraft from Reserve Bank of India	1,92.32
13.81	Reserve Funds	2.76
19.87	Gross	8.70
6.06	Less: Investments	5.94
13.25	Contingency Fund	14.61
1,57.45	Surplus on Government Account	1,56.00
	Previous year	1,57.45
	Less: Revenue deficit during current year	13.67
	Add: Other adjustments	12.22
<hr/> 19,32.36	Total	<hr/> 22,10.40

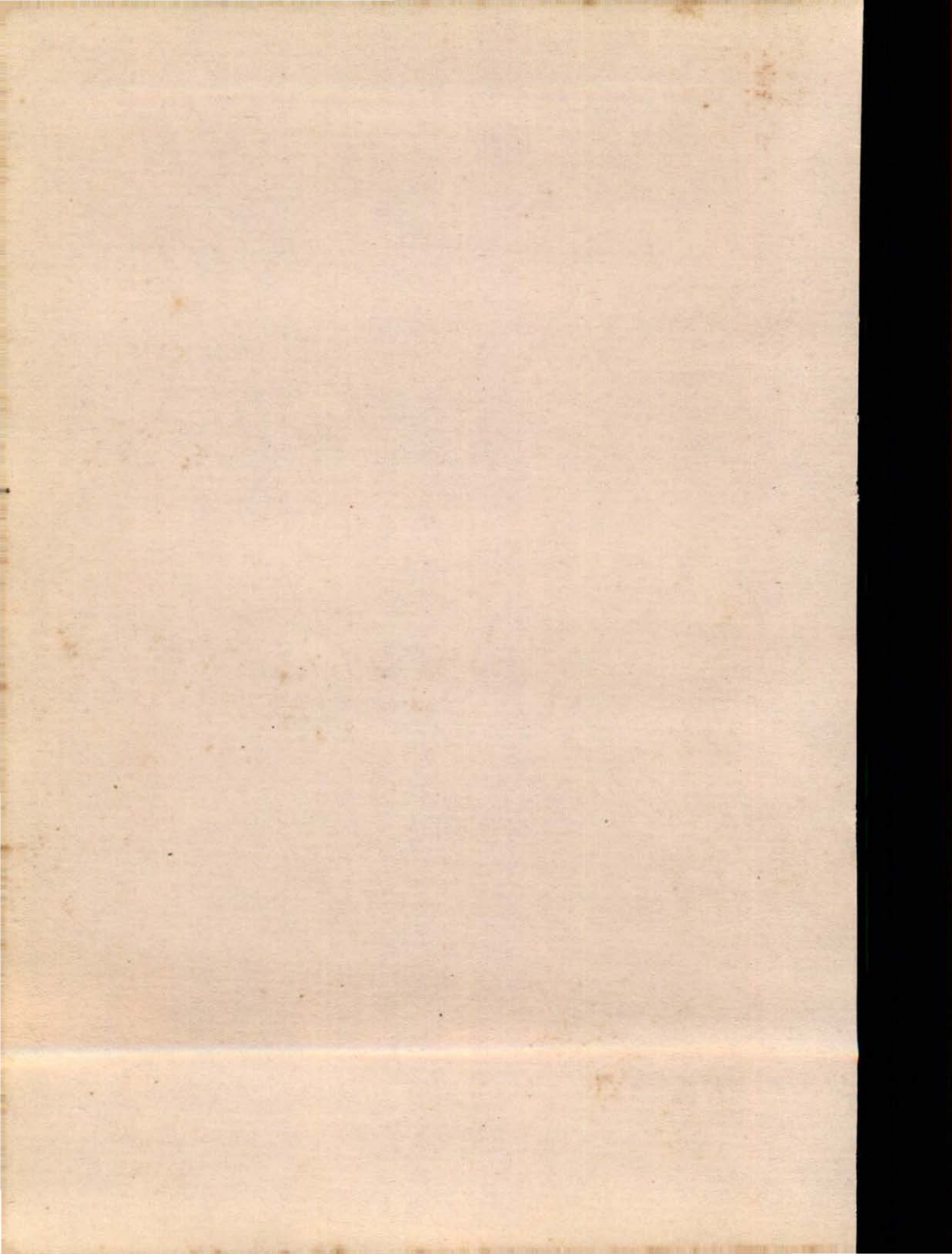
<i>Amount as on</i> 31-3-1984 (Rs. in crores)	<i>Assets</i>	<i>Amount as on</i> 31-3-1985 (Rs. in crores)
@13,02.37	Gross capital outlay on fixed assets	14,69.42
2,60.51	Investment in shares of Companies, Corporations, etc.	2,79.33
10,41.86	Other capital outlay	11,90.09
@4,32.97	Loans and Advances	4,84.52
1,90.39	Loans for power projects	2,24.94
2,27.90	Other development loans	2,43.56
14.68	Loans to Government servants and miscellaneous loans	16.02
2.09	Other Advances	1.66
1,13.37	Remittance balances	1,60.24
46.54	Suspense and Miscellaneous balances—Other items (Net)	54.19
35.02	Cash	40.37
9.33	Cash in treasuries	9.13
(—)0.33	Remittances in transit	(—)0.37
0.46	Departmental cash balance	0.94
0.11	Permanent advances	0.12
6.90	Cash balance investment	6.91
18.55	Deposits with Reserve Bank of India	23.64
(*)	Deposits in other Banks	(**)
19,32.36	Total	22,10.40

@ Differs from last year's figure due to *pro forma* transfer of Rs. 2.46 crores from 'Loans and Advances' to 'Capital Outlay'.

(*) Rs. 138 only.

(**) Rs. 11,874 only





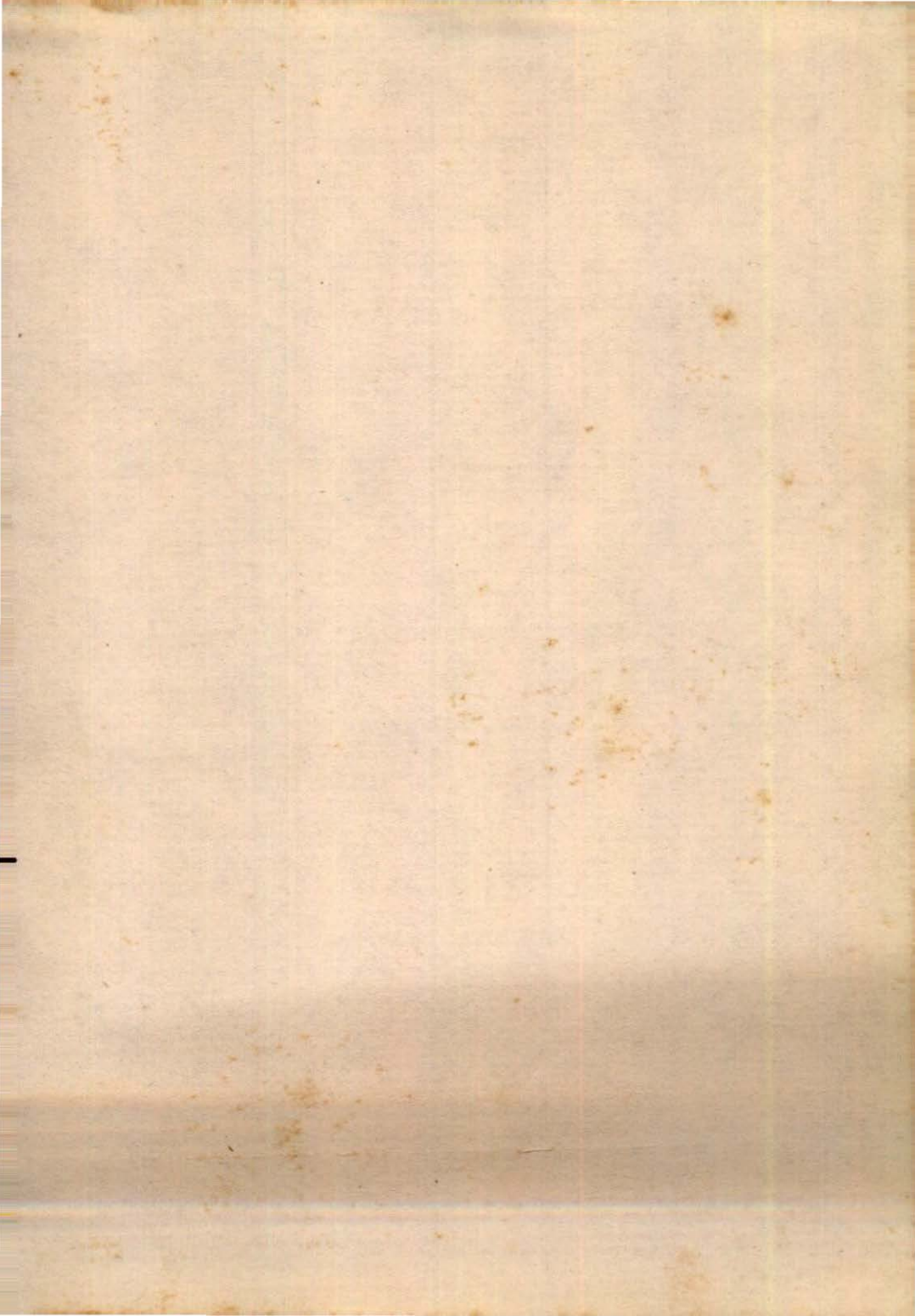
II. Abstract of Receipts and Disbursements for the year 1984-85

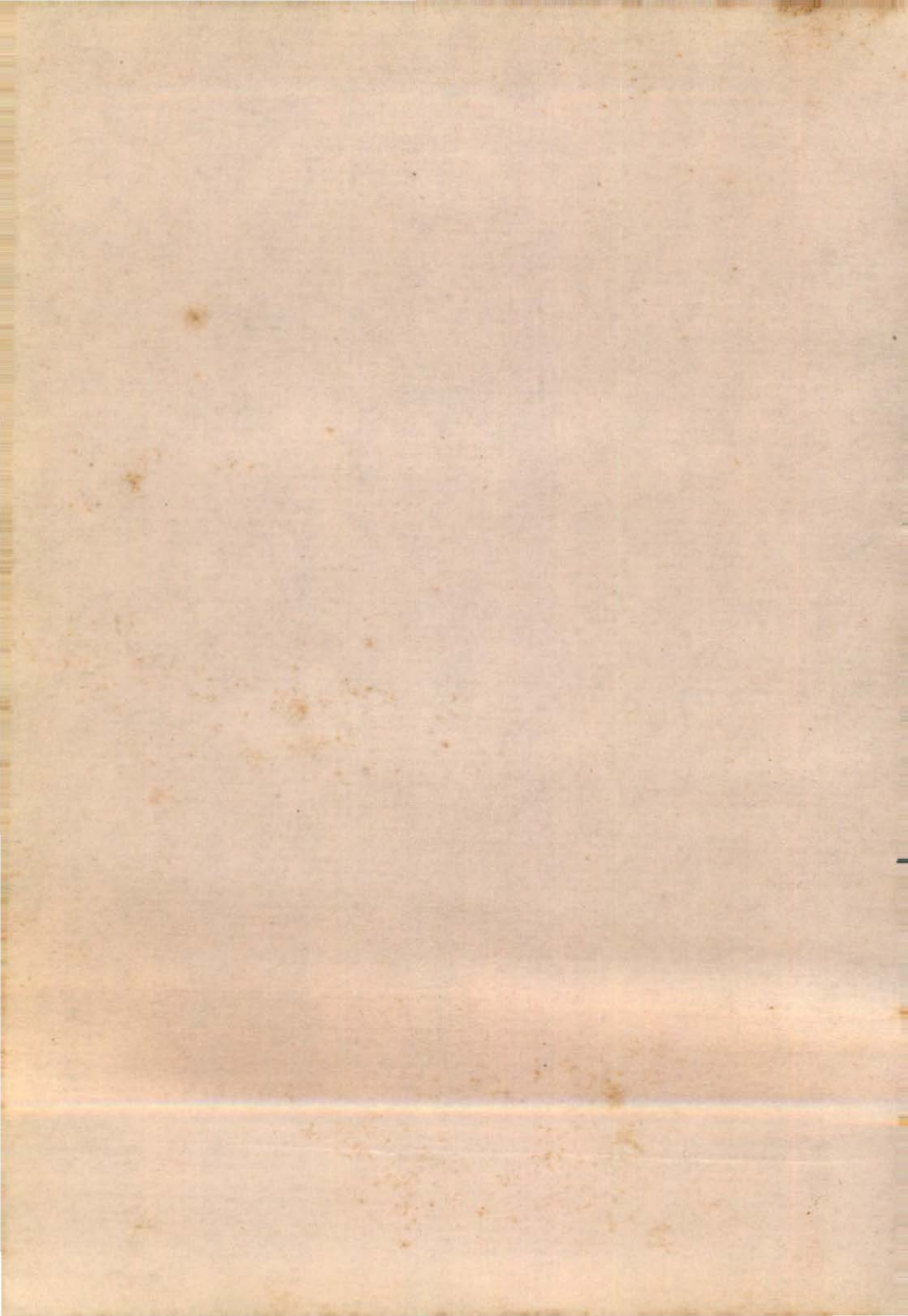
SECTION A—REVENUE

<i>Receipts</i>		<i>Disbursements</i>			
<i>(Rs. in crores)</i>		<i>(Rs. in crores)</i>			
I. Revenue Receipts	11,24.99	I. Revenue Expenditure	11,38.66		
		<i>Sector</i>	<i>Non-Plan</i>	<i>Plan</i>	<i>Total</i>
(i) Tax Revenue	6,21.65	(i) General Services	3,31.59	7.74	3,39.33
(ii) Non-tax Revenue	1,33.42	(ii) Social and Community Services	4,79.36	84.89	5,64.25
(iii) State's share of Union taxes	2,33.28	(iii) General Economic Services	14.65	7.43	22.08
(iv) Non-Plan Grants	20.77	(iv) Agriculture and allied services	54.86	1,06.12	1,60.98
(v) Grants for State Plan Schemes	34.94	(v) Industries and minerals	8.61	5.03	13.64
(vi) Grants for Central and Centrally sponsored schemes	80.93	(vi) Water and Power Development	4.03	0.56	4.59
		(vii) Transport and Communications	31.33	1.13	32.46
		(viii) Grants -in-aid and contributions	1.33	..	1.33
			9,25.76	2,12.90	11,38.66
II. Revenue Deficit carried to Section B	13.67				
	<u>11,38.66</u>				<u>11,38.66</u>

SECTION B—OTHERS

<i>Receipts</i>	<i>(Rs. in crores)</i>	<i>Disbursements</i>	<i>(Rs. in crores)</i>
III. Opening cash balance including Permanent Advance and Cash Balance Investment	35.02	III. Opening overdraft from Reserve Bank of India	63.69
		IV. Capital Outlay	1,67.05
		(i) General services	5.09
		(ii) Social and Community services	45.34
		(iii) General Economic Services	4.38
		(iv) Agriculture and Allied Services	3.91
		(v) Industry and Minerals	9.73
		(vi) Water and Power Development	69.08
		(vii) Transport and communications	24.52
IV. Recoveries of Loans and Advances	20.93	V. Loans and Advances	72.48
(i) From Government Servants	6.73	(i) For power projects	34.81
(ii) From Others	14.20	(ii) To Government servants	8.07
		(iii) To others	29.60
		VI. Revenue deficit brought down	13.67
Carried over	55.95		316.89





<i>Receipts</i>		<i>Disbursements</i>	
	<i>(Rs. in crores)</i>		<i>(Rs. in crores)</i>
Brought forward	55.95		3,16.89
V. Public Debt		VII. Repayment of Public Debt	2,10.38
Receipts	2,89.39		
(i) Internal debt other than ways and means advances	59.32	(i) Internal debt other than ways and means advances	21.47
(ii) Ways and means advances excluding overdrafts mentioned against item VIII below	17.09	(ii) Ways and means advances excluding overdrafts	16.80
(iii) Loans and Advances from the Central Government	212.98	(iii) Repayment of loans and advances to Central Government	1,72.11
VI. Contingency Fund	1.75	VIII. Contingency Fund	0.39
VII. Public Account		IX. Public Account Disbursements	16,18.18
Receipts	16,46.80		
(i) Small Savings, provident funds, etc.	4,62.06	(i) Small savings, Provident funds, etc.	3,93.14
(ii) Reserve Funds	1.53	(ii) Reserve funds	12.58
(iii) Suspense and miscellaneous	4,34.37	(iii) Suspense and miscellaneous	4,29.80
(iv) Remittances	4,44.71	(iv) Remittances	4,91.58
(v) Deposits and advances	3,04.13	(v) Deposits and advances	2,91.08
VIII. Closing overdraft from Reserve Bank of India	1,92.32	X. Cash balance at end	40.37
		(i) Cash in treasuries and local remittances including deposits with Reserve Bank of India	32.40
		(ii) Departmental cash balance including permanent advances	1.06
		(iii) Cash Balance Investment	6.91
Total	<u>21,86.21</u>		<u>21,86.21</u>

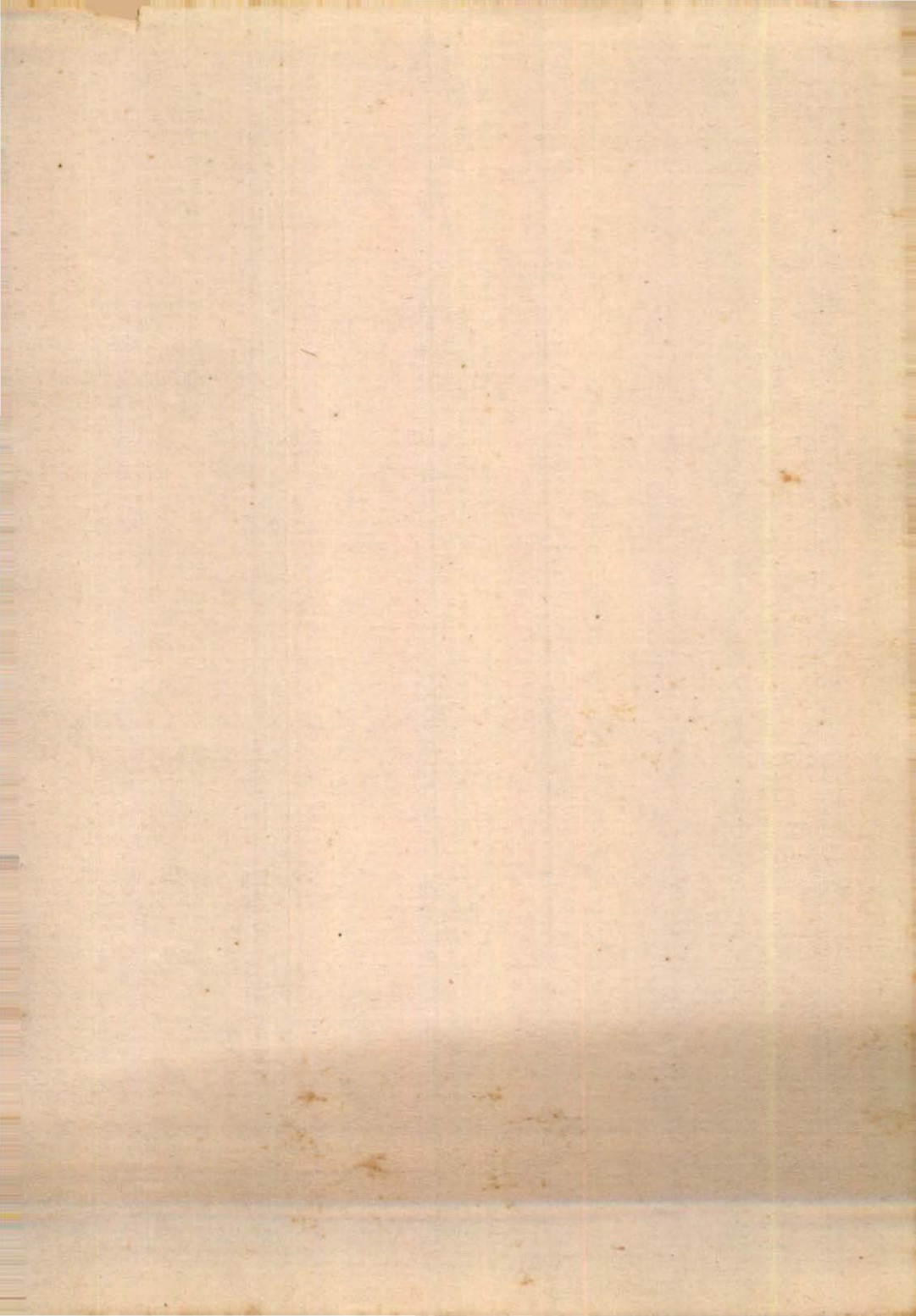
III. Sources and Application of funds for 1984-85

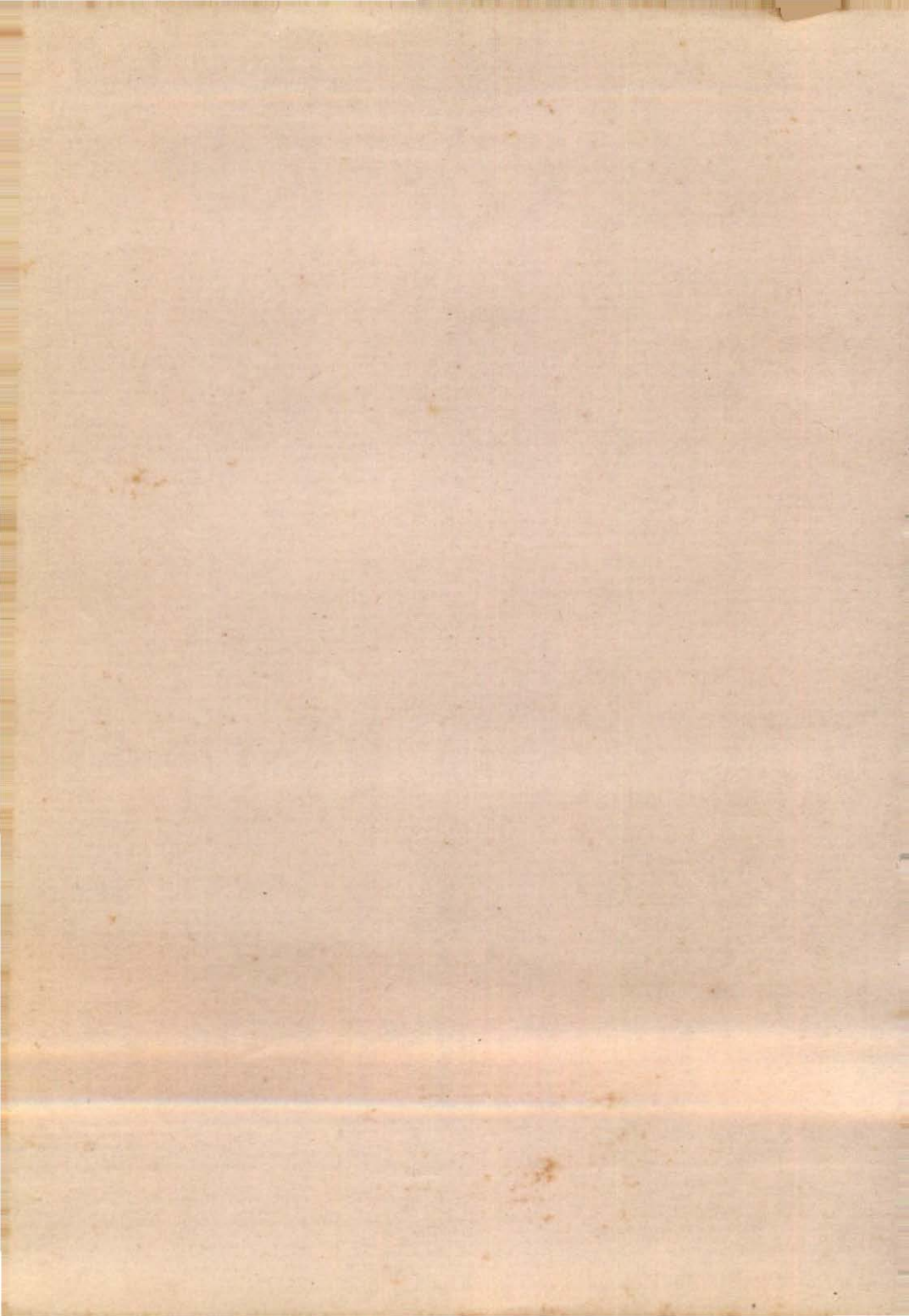
I. Sources:	<i>(Rs. in crores)</i>
1. Revenue Receipts	11,24.99
2. Increase in Public Debt and Small Savings	1,47.93
3. Increase in Overdraft from Reserve Bank of India	1,28.63
	<hr style="width: 100%; border: 0.5px solid black;"/>
	14,01.55
	<hr style="width: 100%; border: 0.5px solid black;"/>
Adjustments	
<i>Add:</i> Net contribution from Contingency Fund	(+) 1.36
Increase in Deposits and Advances	(+) 13.05
Net adjustment under miscellaneous Government Account	(+) 12.22
<i>Less:</i> Effect on Suspense Balance	(—) 7.65
Reduction in Reserve Funds	(—) 11.05
Effect on Remittance Balances	(—) 46.87 (—) 38.94
	<hr style="width: 100%; border: 0.5px solid black;"/>
	13,62.61
	<hr style="width: 100%; border: 0.5px solid black;"/>
II. Application:	
1. Revenue Expenditure	11,38.66
2. Capital Outlay	1,67.05
3. Lending for development and other programmes	51.55
4. Increase in Cash balance investment	0.01
5. Increase in Cash balance	5.34
	<hr style="width: 100%; border: 0.5px solid black;"/>
	13,62.61
	<hr style="width: 100%; border: 0.5px solid black;"/>

Notes:

1.01. Government accounts being on cash basis, the balances shown in the statement of financial position indicate the position on cash basis, as opposed to accrual basis of commercial accounting.

1.02. The abridged accounts in the foregoing statements have to be read with the comments and explanations in the Finance Accounts.





1.03. Under Deposits with Reserve Bank of India there was a difference of Rs. 1,98.14 crores (net credit) between the figure reflected in the accounts and that communicated by the Reserve Bank. The difference has been narrowed down to Rs. 5.88 crores (December 1985) after reconciliation.

1.2. Comments on accounts

The following points emerge from the accounts given in the foregoing statements.

1.2.01. The net accretion from debt transactions (as adjusted by the effect of deposits, reserve funds, remittance and suspense balances) and the net contribution from the Contingency Fund during 1984-85 aggregated Rs. 2,25.40 crores. Out of this, Rs. 1,67.05 crores were utilised for capital expenditure and Rs. 51.55 crores for net disbursement under loans and advances for development and other programmes. The balance (Rs. 6.80 crores) together with Rs. 12.22 crores representing the net effect of miscellaneous adjustments on Government account aggregated Rs. 19.02 crores. After setting off the revenue deficit of Rs. 13.67 crores, the transactions resulted in an increase of Rs. 5.35 crores in cash balance including Rs. 0.01 crore under cash balance investment.

1.2.02. Against the total revenue receipts of Rs. 10,63.56 crores anticipated (budget plus additional taxation), the actual receipts were Rs. 11,24.99 crores showing an increase of Rs. 61.43 crores (5.8 per cent).

1.2.03. The revenue receipts during the year showed an increase of Rs. 1,90.75 crores compared to those in the previous year. The total tax revenue raised during the year was Rs. 6,21.65 crores as against Rs. 4,86.77 crores in the previous year. The increase of Rs. 1,34.88 crores was mainly under Sales Tax (Rs. 68.59 crores), Taxes and Duties on Electricity (Rs. 24.97 crores), State Excise (Rs. 19.57 crores), Taxes on Vehicles (Rs. 9.16 crores), Taxes on Agricultural Income (Rs. 5.59 crores) and Stamps and Registration Fees (Rs. 5.03 crores).

1.2.04. Non-tax revenue during 1984-85 was also more by Rs. 15.16 crores compared to that in the previous year. While there was increase in interest receipts (Rs. 21.12 crores), there was decline in forest revenue (Rs. 6.83 crores). There was also fall in receipts (Rs. 5.81 crores) from Public Health, Sanitation and Water Supply due to take over of the functions of Public Health Engineering Department by the Kerala Water and Waste Water Authority set up on 1st April 1984.

1.2.05. Receipts from Government of India (excluding loans) during the year (Rs. 3,69.92 crores) showed an increase of Rs. 40.71 crores compared to 1983-84 (Rs. 3,29.21 crores). There was an increase of Rs. 23.80 crores in State's share of Union taxes and duties and Rs. 16.91 crores in Central grants.

1.2.06. The year 1984-85 closed with a revenue deficit of Rs. 13.67 crores as against revenue surplus of Rs. 43.59 crores anticipated in the budget.

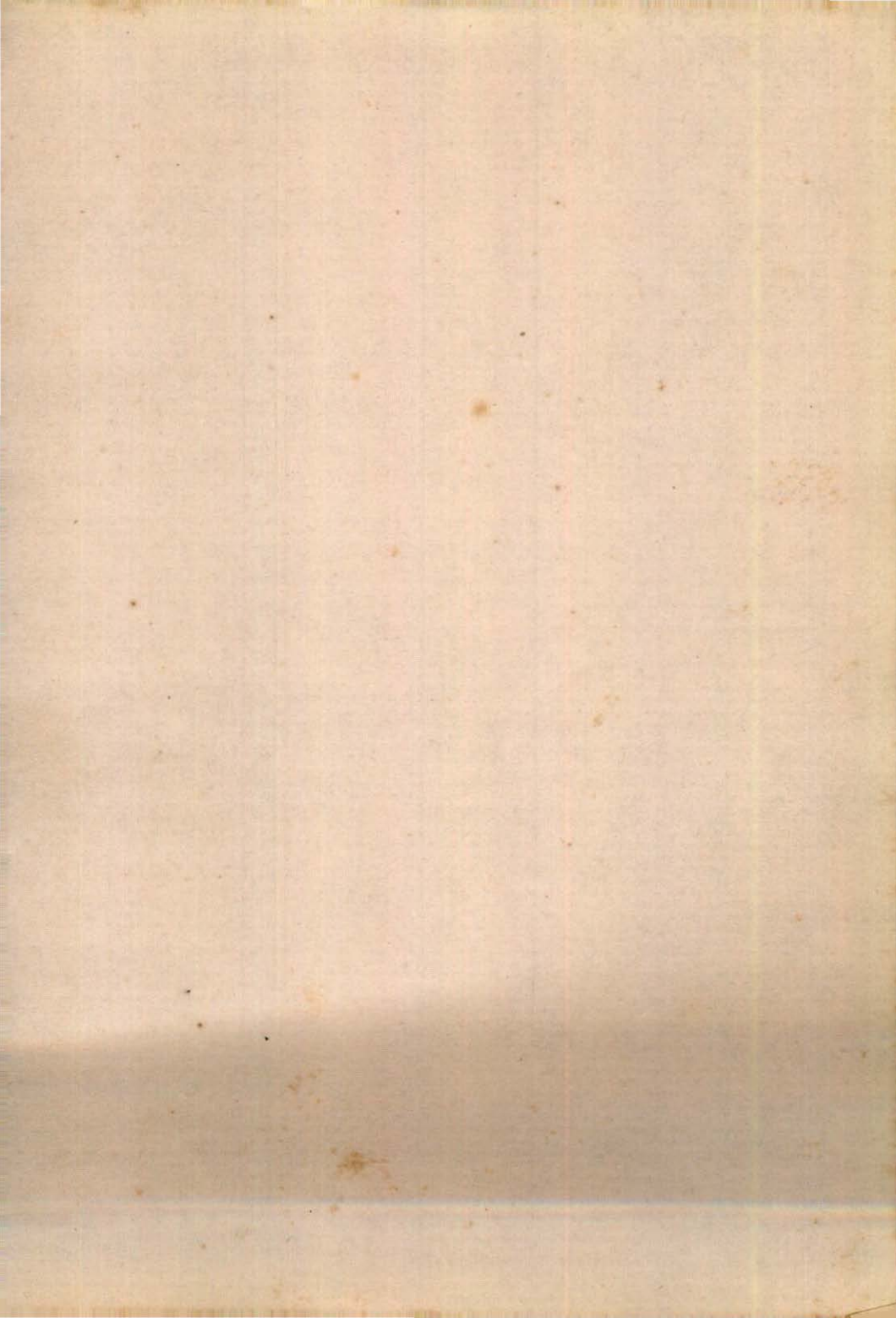
1.2.07. The overdue revenue arrears at the end of 1984-85 were reported to be Rs. 4,42.59 crores out of which collection of Rs. 50.84 crores was under stay (by High Court and other judicial authorities: Rs. 47.38 crores; by Government: Rs. 3.46 crores) in Agricultural Income Tax and Sales Tax and Excise Departments.

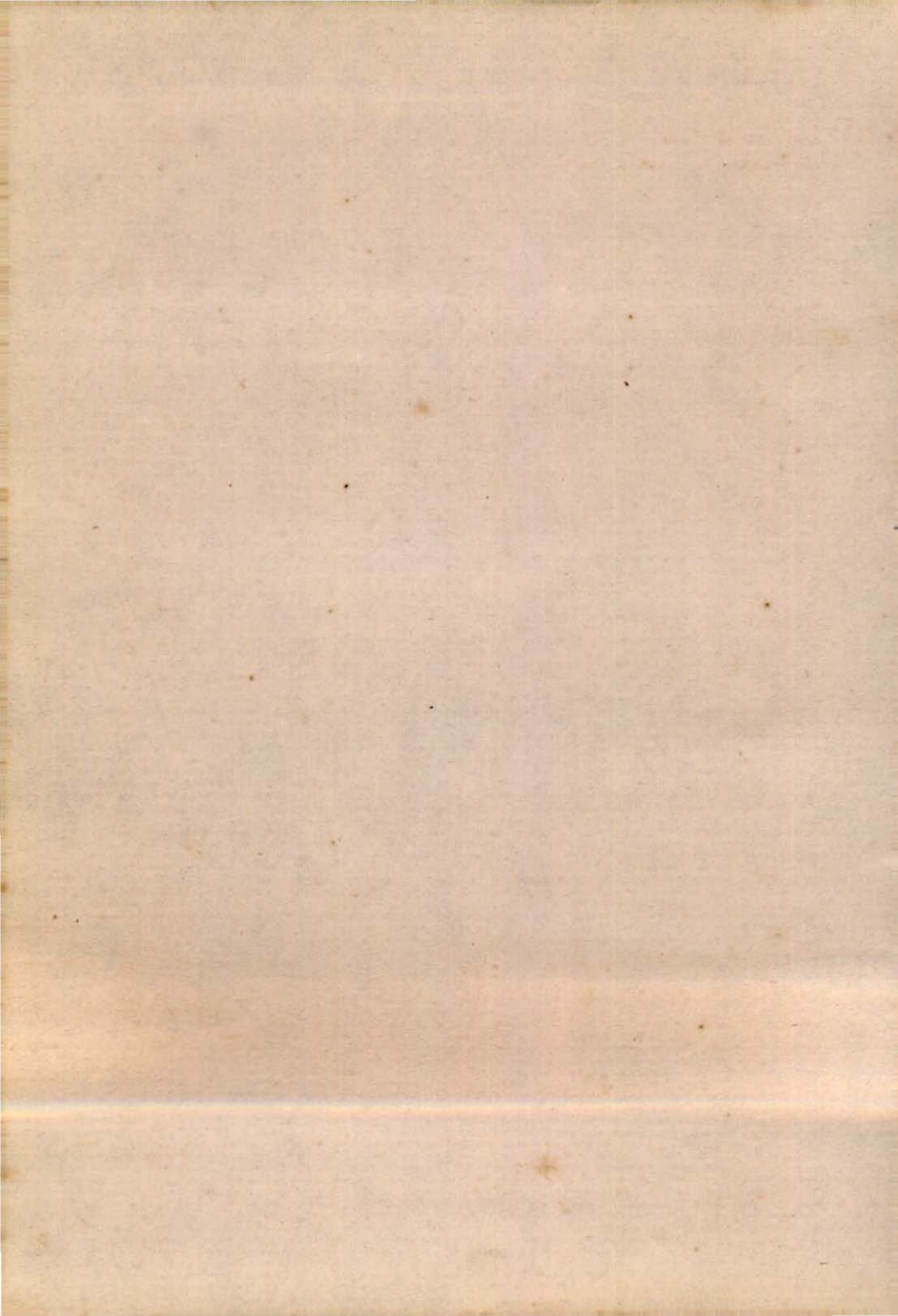
1.2.08. The revenue expenditure during the year was Rs. 11,38.66 crores (Plan: Rs. 2,12.90 crores; Non-Plan: Rs. 9,25.76 crores) as against Rs. 9,92.44 crores (Plan: Rs. 1,94.51 crores; Non-Plan: 7,97.93 crores) during 1983-84 and a total provision of Rs. 11,60.34 crores during 1984-85. The increase of Rs. 1,46.22 crores in revenue expenditure during 1984-85 compared to previous year was mainly under Education (Rs. 38.86 crores), Interest payments (Rs. 29.58 crores) and Relief on account of natural calamities (Rs. 20.60 crores).

1.2.09. Capital expenditure during the year was Rs. 1,67.05 crores as against Rs. 2,08.13 crores during 1983-84 and a provision of Rs. 1,85.96 crores during 1984-85 (budget: Rs. 1,73.70 crores; supplementary: Rs. 12.26 crores). The shortfall in expenditure during 1984-85 compared to the previous year was mainly under Public Health, Sanitation and Water Supply (Rs. 46.73 crores).

1.2.10. In respect of loans and advances, the detailed accounts of which are maintained by Accountant General, amount overdue for recovery at the end of 1984-85 was Rs. 1,18.20 crores (principal: Rs. 17.58 crores; interest: Rs. 1,00.62 crores). Of this, an amount of Rs. 93.48 crores represented interest due from the Kerala State Electricity Board.

In respect of loans and advances, the detailed accounts of which are maintained by the departmental officers, the amount overdue for recovery at the end of 1984-85 (to the extent details have been received) was Rs. 39.49 crores. Of this, Rs. 39.47 crores (principal: Rs. 22.21 crores; interest: Rs. 17.26 crores) were overdue from 28 Government companies. Terms





and conditions governing loans aggregating Rs. 9,75.23 lakhs given to 15 Government Companies were yet to be fixed.

1.2.11. Loans raised during 1984-85 and discharged during the year were Rs. 10,07.12 crores and Rs. 7,99.48 crores respectively.

The instalments which fell due for payment to Government of India in January 1985 towards repayment of principal and payment of interest were paid only in February 1985. The rebate lost as a result amounted to Rs. 33 lakhs.

Interest paid by Government on debt and other obligations during 1984-85 was Rs. 1,21.07 crores. The interest received was Rs. 30.62 crores including interest on loans given to Public Sector undertakings and capital contributions given to departmental commercial undertakings. The net interest burden was thus Rs. 90.45 crores.

1.2.12. With the investment of Rs. 18.82 crores (in statutory corporations: Rs. 3.07 crores; Government Companies: Rs. 15.15 crores; other joint stock companies (—) Rs. 2.73* crores; co-operative societies: Rs. 3.33 crores) during the year, the total investment of Government in shares and debentures as on 31st March 1985 was Rs. 2,79.33 crores. Interest and dividends received during the year on such investments was Rs. 64.40 lakhs representing 0.23 *per cent*.

During 1984-85 there was no return from the investment in statutory corporations (Rs. 36.54 crores). Return from the investment in the shares of Government Companies (Rs. 1,90.15 crores) was Rs. 22.64 lakhs or 0.12 *per cent* and that from the co-operative institutions (investment: Rs. 48.78 crores) Rs. 26.89 lakhs or 0.55 *per cent*. The accumulated loss of Government companies and statutory corporations in which Government investment as on 31st March 1985 was Rs. 1,57.93 crores amounted to Rs. 1,98.68 crores. Five institutions in which Government had invested Rs. 35.73 lakhs were under liquidation. In 20 cases, the accumulated loss was more than the investment made upto the end of March 1985. In the case of the following undertakings the accumulated loss as per the latest accounts was more than twice the investment.

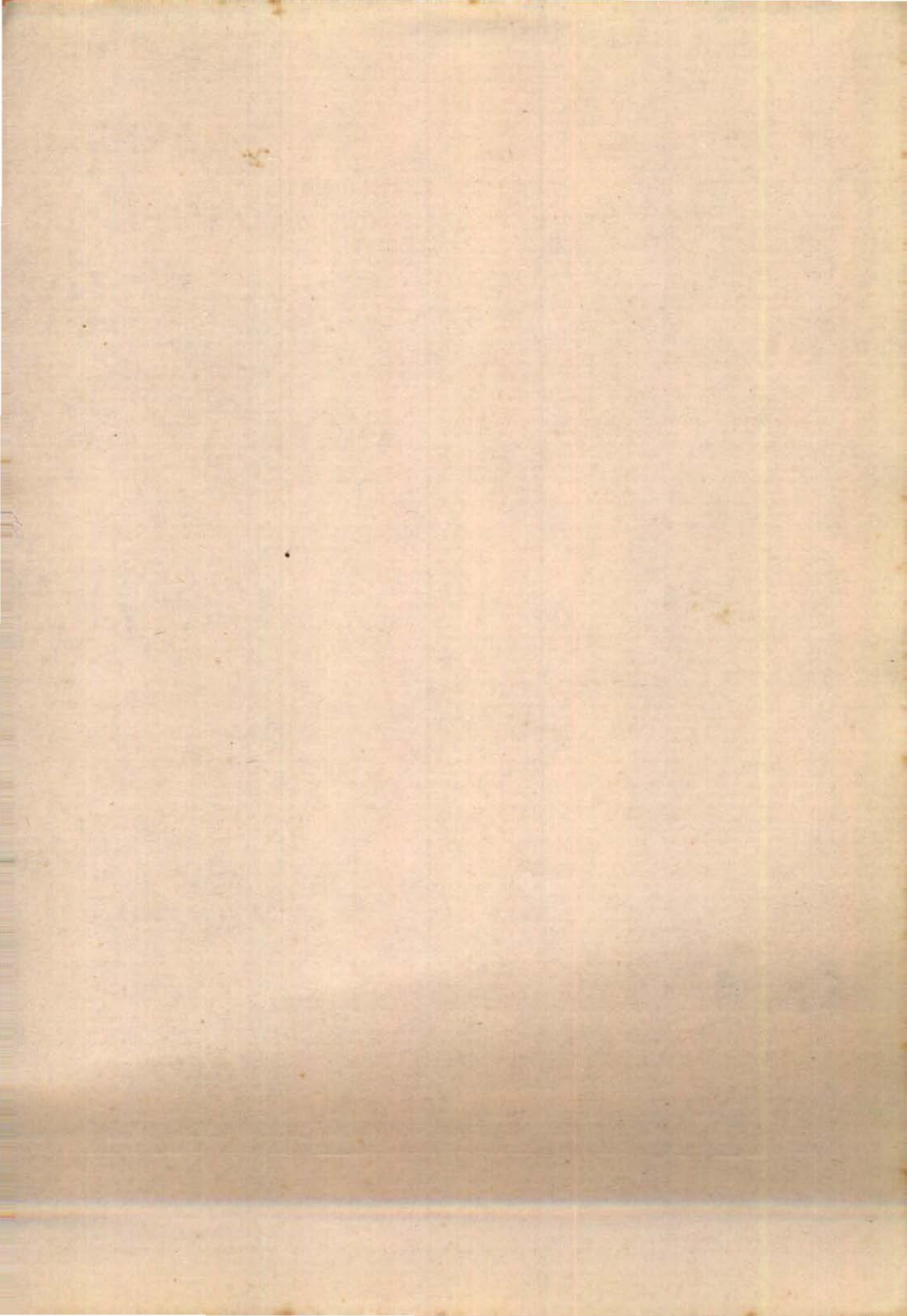
* The decrease in investment was due to conversion of Transformers and Electricals Kerala Limited (Rs. 2.91 crores) and The Metal Industries Limited (Rs. 0.02 crore) into Government Companies.

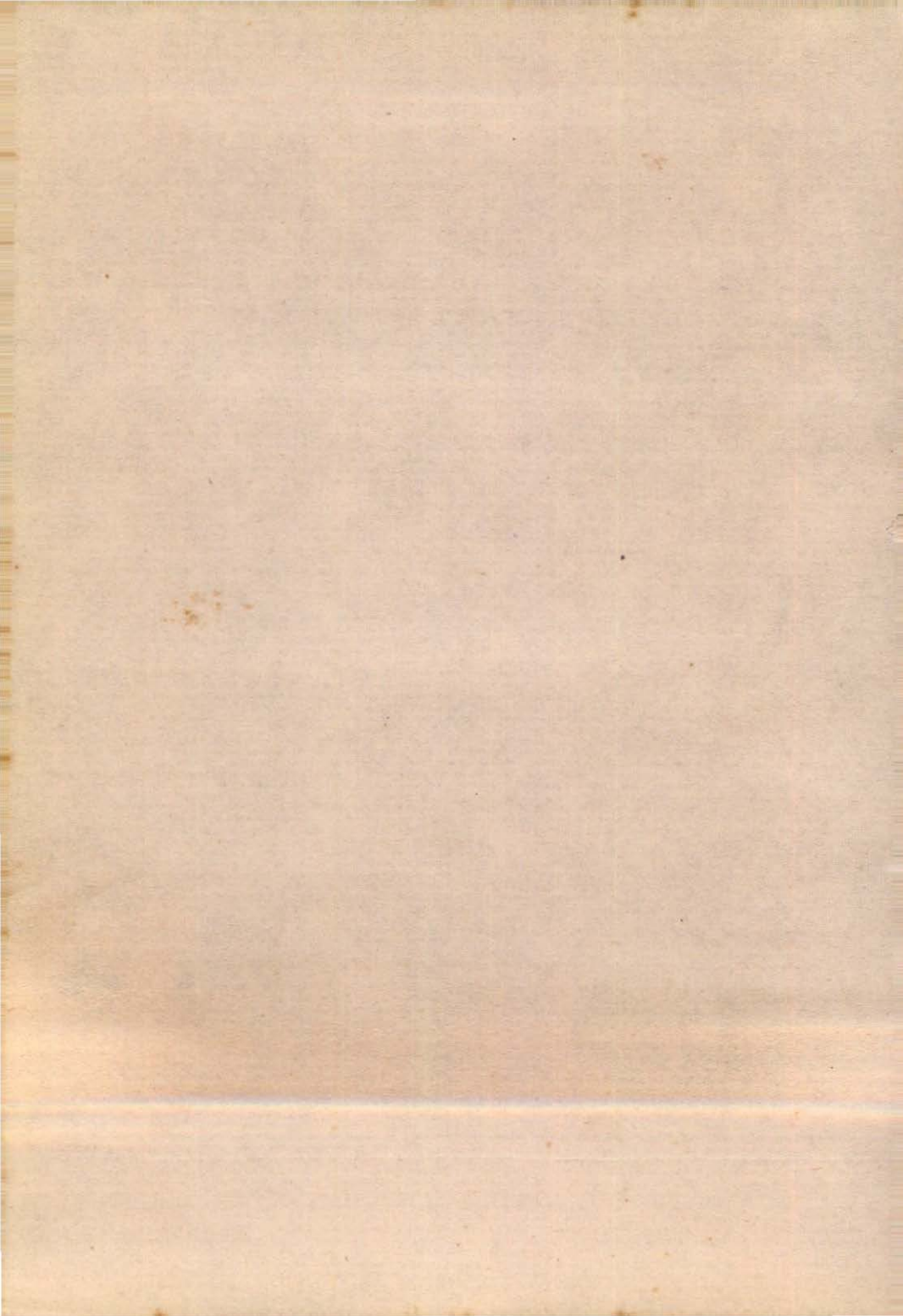
Name of undertaking	Total investment at the end of March 1985 <i>(in crores of rupees)</i>	Accumulated loss	
		Amount	As on 31st March
1. Kerala State Road Transport Corporation	31.35	69.49	1983
2. The Kerala Ceramics Limited	1.08	7.11	1985
3. Kerala Soaps and Oils Limited	1.44	5.03	1985
4. Trivandrum Rubber works Limited	1.39	5.74	1983
5. Kerala State Cashew Development Corporation Limited	1.54	34.42	1985
6. Kerala State Civil Supplies Corporation Limited	2.31	12.29	1985
7. Kerala State Construction Corporation Limited	0.88	2.34	1983
8. Metropolitan Engineering Company	0.26	0.95	1983
9. The Kerala Fisheries Corporation Limited	4.79	9.58	1983
10. Transformers and Electricals Kerala Limited.	2.91	18.88	1985

1.2.13. The contingent liability for guarantee given by the State Government for repayment of loans, etc., by companies, statutory boards/corporations, local bodies, etc., on 31st March 1985 was Rs. 7,39.68 crores (including interest of Rs. 17.48 crores) against the maximum guaranteed amount of Rs. 9,72.87 crores. The total amount paid by Government between December 1973 and March 1985 to discharge liabilities arising out of guarantees given in favour of 5 bodies aggregated Rs. 94.32 lakhs. A sum of Rs. 35.25 lakhs was recovered till March 1985 from Koliat Estates against Rs. 45.59 lakhs paid by Government. Details of recovery from other bodies are awaited (December 1985).

To enable the Kerala State Rural Development Board to meet the liabilities arising from the loans taken by it from the Life Insurance Corporation of India, under guarantee provided by Government, short term loans aggregating Rs. 46.94 lakhs were paid by Government to the Board between March 1979 and April 1984. The loans have not yet been repaid by the Board (March 1985).

On the basis of a Government guarantee, the Trivandrum District Co-operative Bank had extended cash credit facilities to the Trivandrum District





(North) Regional Fish Marketing Co-operative Society Limited, Anjengo. Since the Society did not repay the amount with interest, Government ordered in January 1983 that the outstanding liabilities amounting to Rs. 69.96 lakhs of the Society to the Bank as at the end of December 1979, would be cleared by Government in ten half-yearly instalments with 10 *per cent* interest. No amount was, however, paid on this account during 1982-83 and 1983-84, for want of budget provision. Though a token provision of Rs. 100 was made in the Supplementary Demands for grants (October 1984), no payment was made during 1984-85 also.

Rupees 61.29 lakhs were received by Government during 1984-85 towards guarantee fees. The guarantee fee amounting to Rs. 2,30.52 lakhs was in arrears as on 31st March 1985 in respect of guarantees given in favour of 33 companies.

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

1.2.14. Against an aggregate net provision of Rs. 4,54.77 crores (Revenue: Rs. 2,09.03 crores; Capital: Rs. 1,81.85 crores; Loans and advances: Rs. 63.89 crores) for Plan schemes during 1984-85, the actual Plan expenditure was Rs. 4,40.60 crores (Revenue: Rs. 2,12.90 crores; Capital: Rs. 1,67.55 crores; Loans: Rs. 60.15 crores). Thus the total Plan expenditure was less than the net Plan provision by Rs. 14.17 crores. The shortfall was mainly under agriculture and allied services (Rs. 8.88 crores) and general economic services (Rs. 8.47 crores).

1.2.15. The non-Plan expenditure of Rs. 11,47.97 crores (Revenue: Rs. 9,25.76 crores; Capital: Rs. (—) 0.50 crore; Loans and advances: Rs. 12.33 crores; Public Debt (excluding overdraft): Rs. 2,10.38 crores) during 1984-85 was more by Rs. 1,48.96 crores than that in the previous year, the excess being mainly under Revenue (Rs. 1,27.83 crores).

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. General

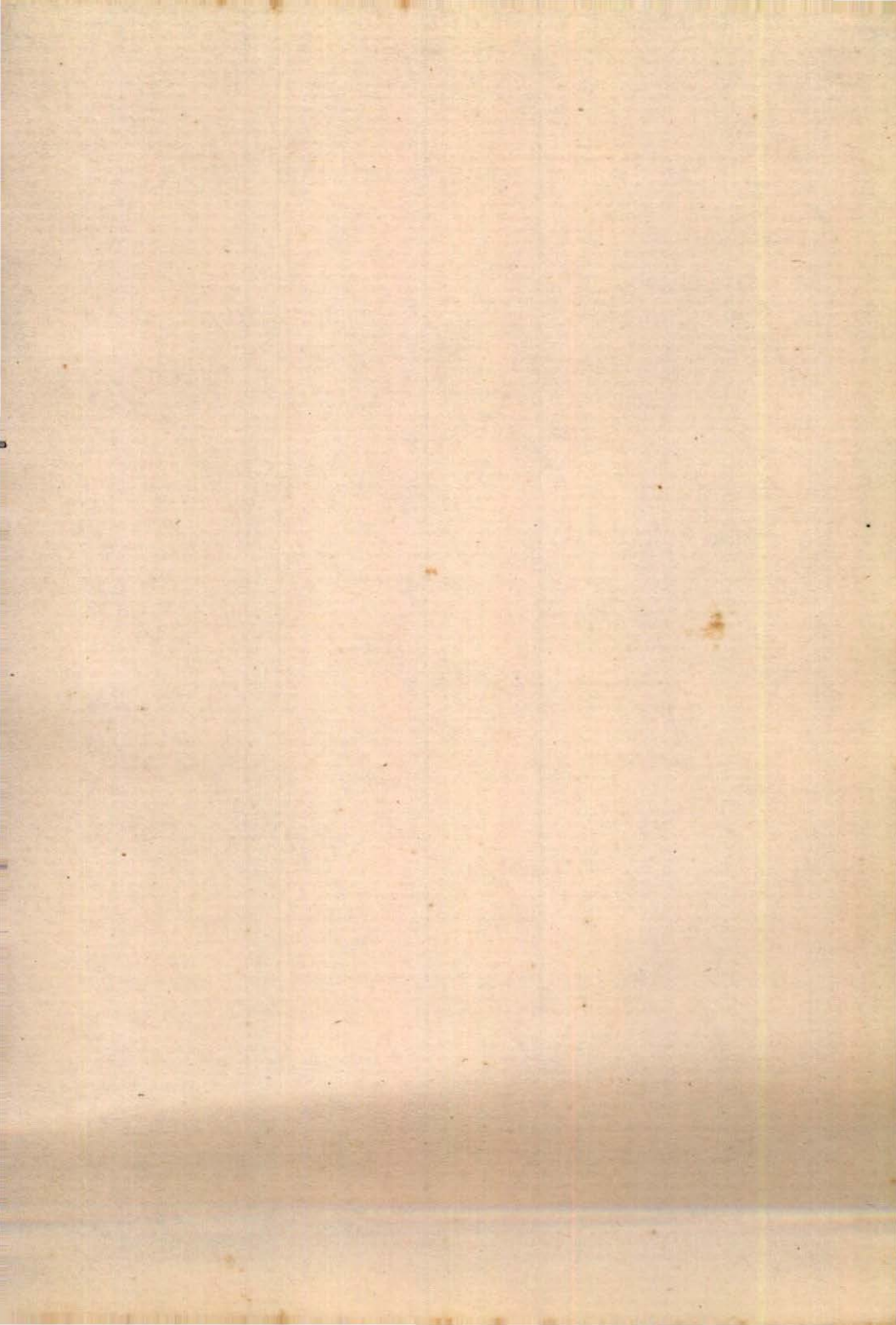
2.01. The summarised position of actual expenditure during 1984-85 against provision is as follows:—

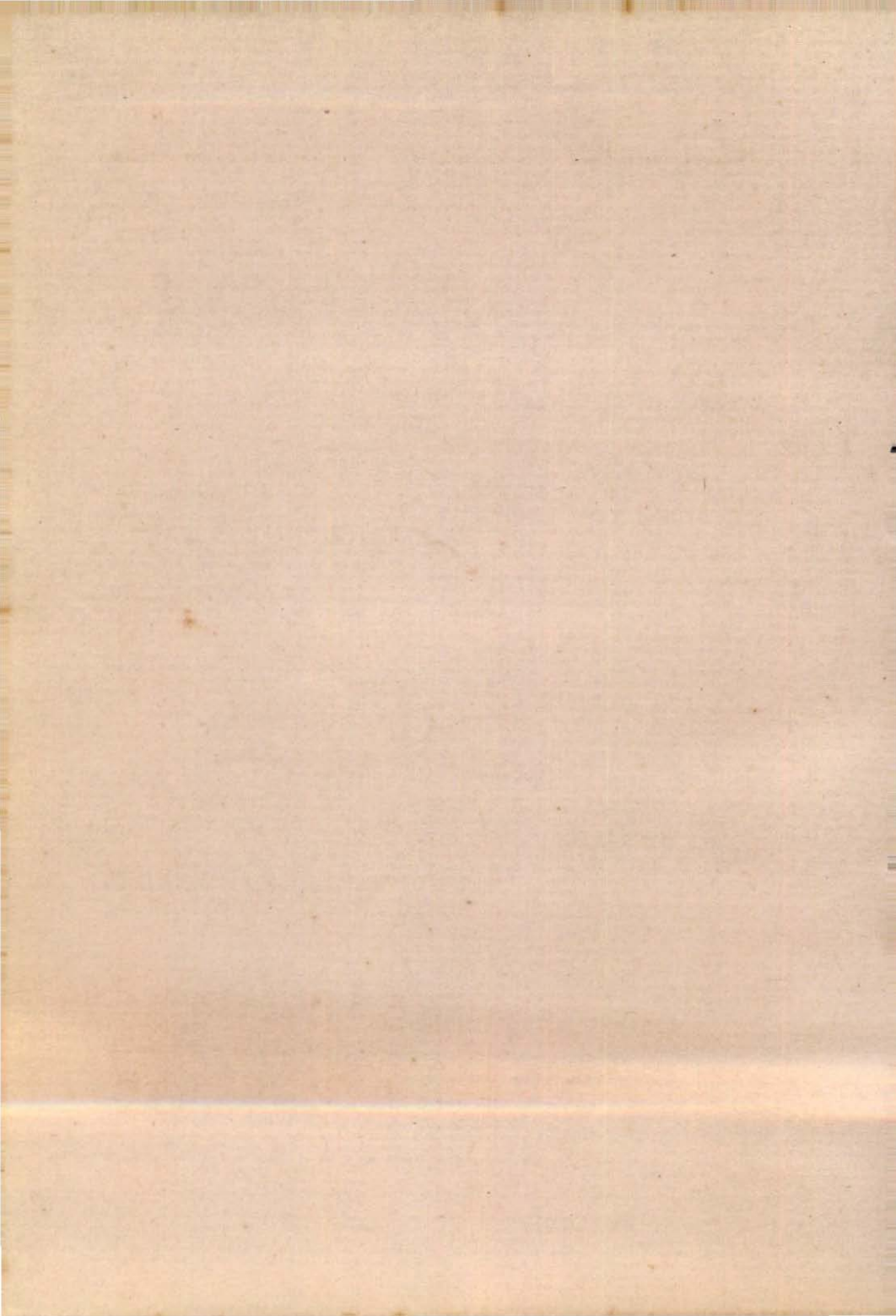
	<i>Original grant/ appropri- ation</i>	<i>Supple- mentary grant/ appropri- ation</i>	<i>Total</i>	<i>Actual expendi- ture</i>	<i>Variation Saving(—) |Excess(+)</i>
<i>(in crores of rupees)</i>					
I. Revenue					
Voted	952.80	99.72	1,052.52	1,049.27	(—) 3.25
Charged	102.99	40.65	143.64	126.73	(—)16.91
II. Capital					
Voted	180.26	11.95	192.21	174.00	(—)18.21
Charged	0.87	0.07	0.94	0.52	(—) 0.42
III. Public Debt					
Charged	405.09	362.05	767.14	799.48	(+)32.34
IV. Loans and Advances					
Voted	68.52	8.85	77.37	72.49	(—) 4.88
Grand Total	1,710.53	523.29	2,233.82	2,222.49	(—)11.33

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

2.2.01. Supplementary provision

Supplementary provision obtained during the year worked out to 31 per cent of the original budget provision, as against 51 per cent in the preceding year.





2.2.02. Unnecessary/excessive/inadequate supplementary provision

Supplementary provision of Rs. 2.85 crores obtained in 13 cases during March 1985 proved totally unnecessary. In 23 other cases, against supplementary grants/appropriations aggregating Rs. 112.01 crores, the actual utilisation of funds was only Rs. 72.97 crores, resulting in a saving of more than Rs. 10 lakhs in each case. In 9 other cases, though supplementary provision totalling Rs. 400.27 crores was obtained, the provision proved insufficient by more than Rs. 10 lakhs each, leaving an aggregate uncovered excess expenditure of Rs. 74.27 crores.

2.2.03. Saving/excess over provision

There was an overall saving of Rs. 85.67 crores in 99 grants/charged appropriations. In 13 grants/charged appropriations, as detailed in Appendix 2.1, there was an overall excess of Rs. 74.34 crores. The excesses require regularisation under Article 205 of the Constitution.

2.2.04. Unutilised provision

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

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Amount of saving (rupees in crores) and its percentage on provision (in brackets)</i>	<i>Main reasons for saving</i>
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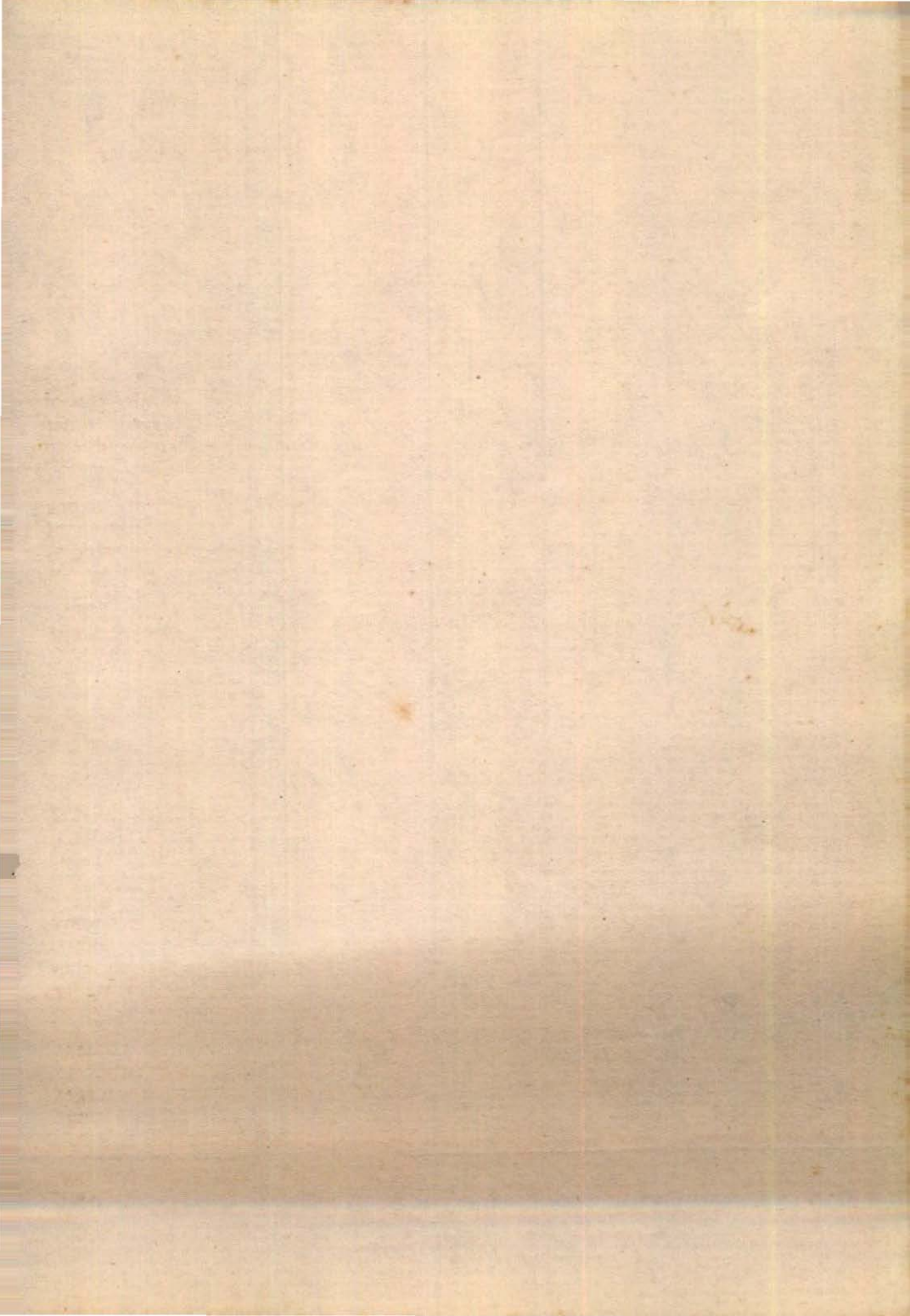
REVENUE SECTION

1.	XXI—Public Health Engineering (voted)	4.42 (24)	Take-over of the functions of Public Health Engineering Department by Kerala Water and Waste Water Authority.
2.	XXVI—Social Welfare including Harijan Welfare (voted)	10.34 (17)	Awaited.

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Amount of saving (rupees in crores) and its percentage on provision (in brackets)</i>	<i>Main reasons for saving</i>
3.	XXVIII—Co-operation (voted)	1.76 (12)	Economy measures (Rs. 86.36 lakhs).
4.	XXXI—Food (voted)	1.31 (23)	Non-adjustment of the cost of food materials received under World Food Programme due to administrative reasons.
5.	XXXIX—Irrigation (voted)	3.24 (13)	Fluctuating nature of stock transactions, non-utilisation of provision made for revision of pay scales and non-filling of certain posts.
6.	XLIV—Compensation and Assignments (voted)	2.60 (66)	Restriction on payments due to financial stringency.

CAPITAL SECTION

7.	XIX—Family Welfare (voted)	5.48 (51)	Awaited.
8.	XXI—Public Health Engineering (voted)	3.14 (11)	Take-over of the functions of Public Health Engineering Department by Kerala Water and Waste Water Authority.
9.	XXVIII—Co-operation (voted)	6.44 (36)	Enforcement of economy measures (Rs. 190.35 lakhs), non-registration of new societies due to revision of norms for eligibility of assistance, etc.
10.	XXIX—Miscellaneous Economic Services (voted)	1.17 (50)	Non-release of the last instalment of share capital contribution to the Kerala State Beverages (Manufacturing and Marketing) Corporation Limited.
11.	XXXIV—Fisheries (voted)	1.11 (31)	Delay in land acquisition for Vizhinjam Fishing Harbour (Rs. 51.78 lakhs).



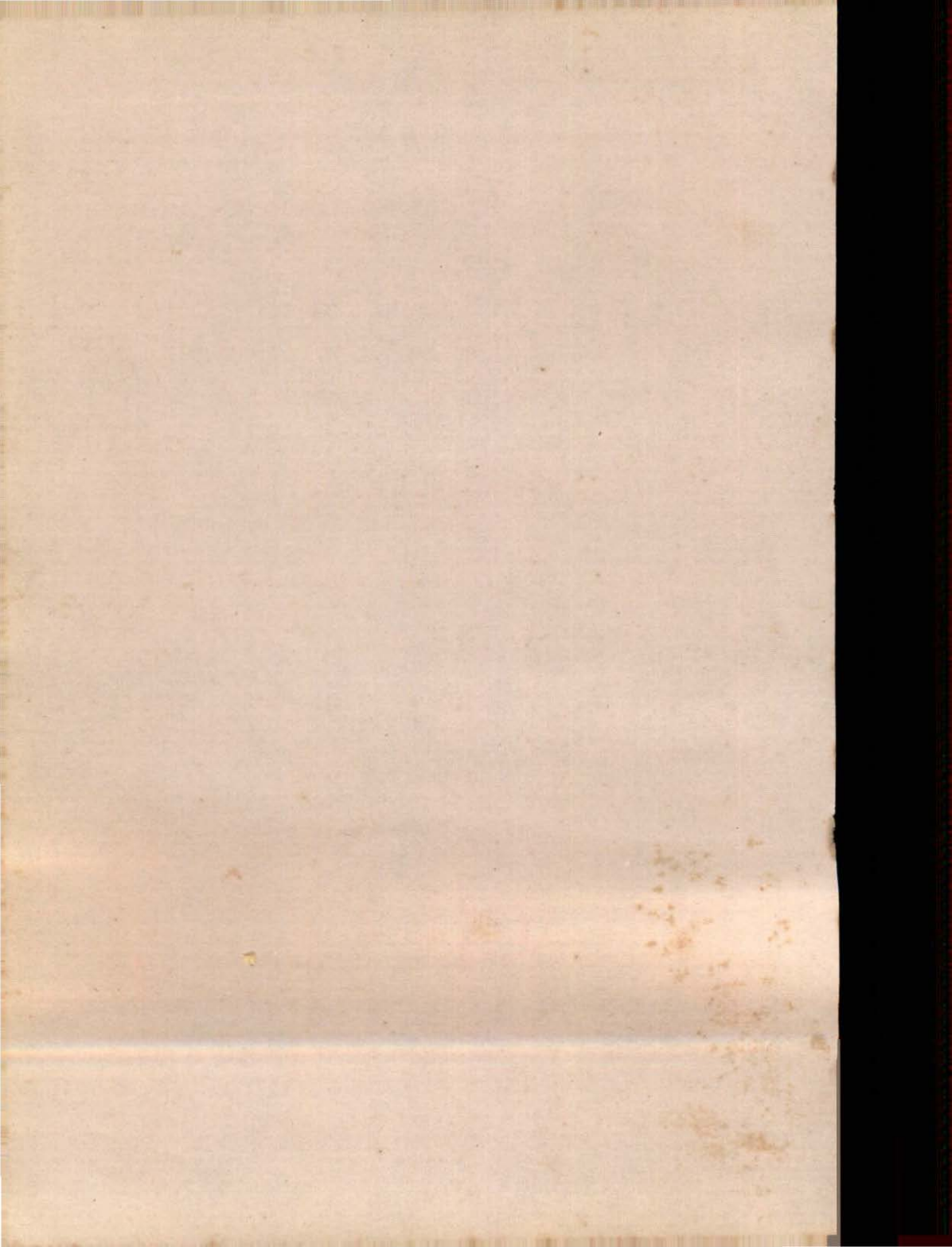


2.2.05. Significant cases of savings under schemes

(a) In the following cases, substantial savings of not less than Rs. 50 lakhs each had occurred owing to non-implementation or slow implementation of Plan schemes.

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Name of scheme</i>	<i>Amount of saving (rupees in lakhs) and its percentage on provision (in brackets)</i>
REVENUE—VOTED			
1.	XXVIII—Co-operation	(i) Subsidy to industrial co-operatives for the purchase/modernisation/renovation of ratts, looms, equipments, etc.	91.04 (54)
		(ii) Assistance to Federation of Harijan/Girijan co-operatives under Special Component Plan (N.C.D.C.—100%)	59.85 (99.75)
2.	XXX—Agriculture	(i) Comprehensive Coconut Development Scheme	55.23 (92)
		(ii) National Project on bio-gas development (100% Centrally sponsored scheme)	55.00 (41)
		(iii) Command Area Development Authority	88.86 (67)
		(iv) Afforestation and land improvement for general development in Idukki	55.86 (100)
		(v) Rubber plantation scheme of the State Farming Corporation of Kerala Limited	70.14 (73)
3.	XXXVII—Community Development	Implementation of Integrated Rural Development Programme in all blocks except Command Area Development blocks (50% Central assistance)	112.36 (17)

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Name of scheme</i>	<i>Amount of saving (rupees in lakhs) and its percentage on provision (in brackets)</i>
CAPITAL—VOTED			
4.	XV—Public Works	(i) State roads of economic or inter-State importance (Centrally sponsored scheme—100% Central assistance)	122.90 (99)
		(ii) Hill roads	182.40 (76)
5.	XIX—Family Welfare	(i) Welfare Centres—Buildings	51.22 (34)
		(ii) India Population Project III— World Bank Assistance	500.00 (59)
6.	XXVIII—Co-operation	(i) Loans to Kerala State Co-operative Marketing Federation for development of business (N.C.D.C. sponsored scheme—100%)	50.00 (67)
		(ii) Margin money assistance to Kerala State Co-operative Rubber Marketing Federation Limited (N.C.D.C.—100%)	80.00 (100)
7.	XXXIV—Fisheries	Development of Vizhinjam Fishing Harbour (Centrally sponsored scheme—50% Central assistance)	64.22 (100)
8.	XXXVIII—Industries	Loans to Kerala State Cashew Development Corporation Limited	50.00 (100)
9.	XXXIX—Irrigation	Idamalayar Project works	114.36 (24)



(b) In addition, substantial savings, exceeding Rs.1 crore each, occurred in the following non-Plan programmes/schemes/activities.

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Name of the programme/ scheme/activity</i>	<i>Amount of saving (rupees in crores) and its percentage on provision (in brackets)</i>
1.	XXVI—Social Welfare including Harijan Welfare (voted)	(i) Destitute pension	7.54 (61)
		(ii) Special pension scheme for the physically handicapped and disabled and mentally retarded persons	2.47 (74)
2.	XXVII—Relief on account of natural calamities (voted)	Repairs and restoration of damaged roads and bridges	5.28 (29)
3.	XXXVI—Panchayat (voted)	Grant-in-aid towards maintenance and improvement of village roads	1.65 (37)
4.	XLIV—Compensation and Assignments (voted)	Taxes on vehicles—compensation to Local Bodies	2.60 (66)

2.2.06. Persistent savings

Savings exceeding Rs. 25 lakhs each were noticed persistently in all the three years from 1982-83 in the following voted grants:—

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Amount of savings (in lakhs of rupees)</i> <i>(Percentage of savings in brackets)</i>		
		1982-83	1983-84	1984-85
REVENUE SECTION				
1.	XII—Police	755.23 (17)	131.51 (3)	75.28 (1.49)

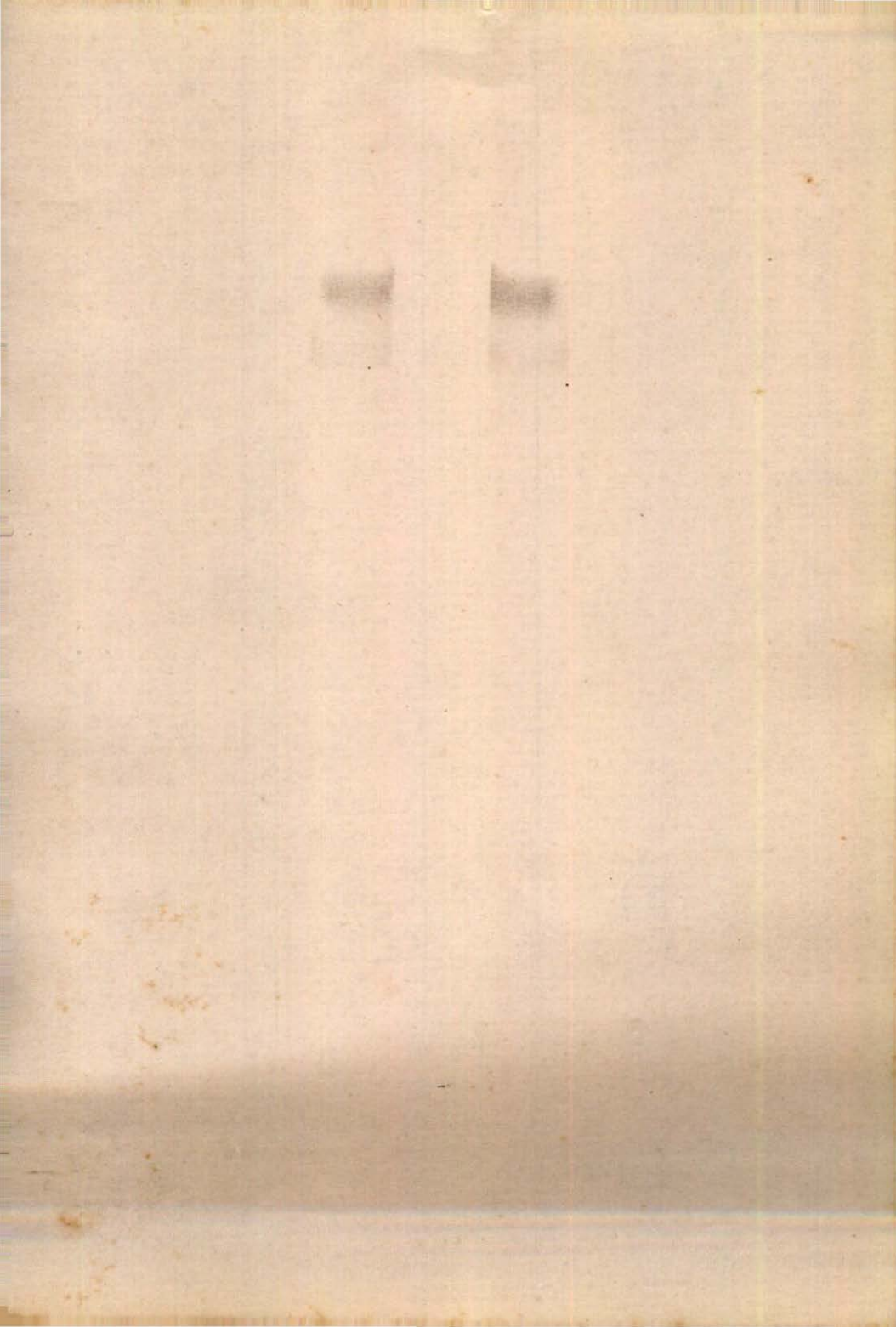
Sl. no.	No. and name of grant	Amount of savings (in lakhs of rupees)		
		(Percentage of savings in brackets)		
		1982-83	1983-84	1984-85
2.	XX—Public Health	121.82 (15)	49.63 (6)	97.66 (10)
3.	XXII—Housing	124.91 (31)	91.42 (21)	65.78 (11)
4.	XXVI—Social Welfare including Harijan Welfare	1,143.58 (21)	439.61 (7)	1,034.04 (17)
5.	XXVIII—Co-operation	173.91 (25)	314.83 (18)	176.22 (12)
6.	XXXI—Food	44.68 (11)	41.26 (6)	131.32 (23)
7.	XXXIV—Fisheries	47.78 (13)	86.70 (20)	33.43 (7)
8.	XXXV—Forest	140.09 (11)	159.82 (10)	52.14 (3)
9.	XXXVII—Community Development	665.12 (16)	302.29 (6)	430.01 (6)
10.	XXXVIII—Industries	139.50 (14)	110.75 (7)	73.41 (5)

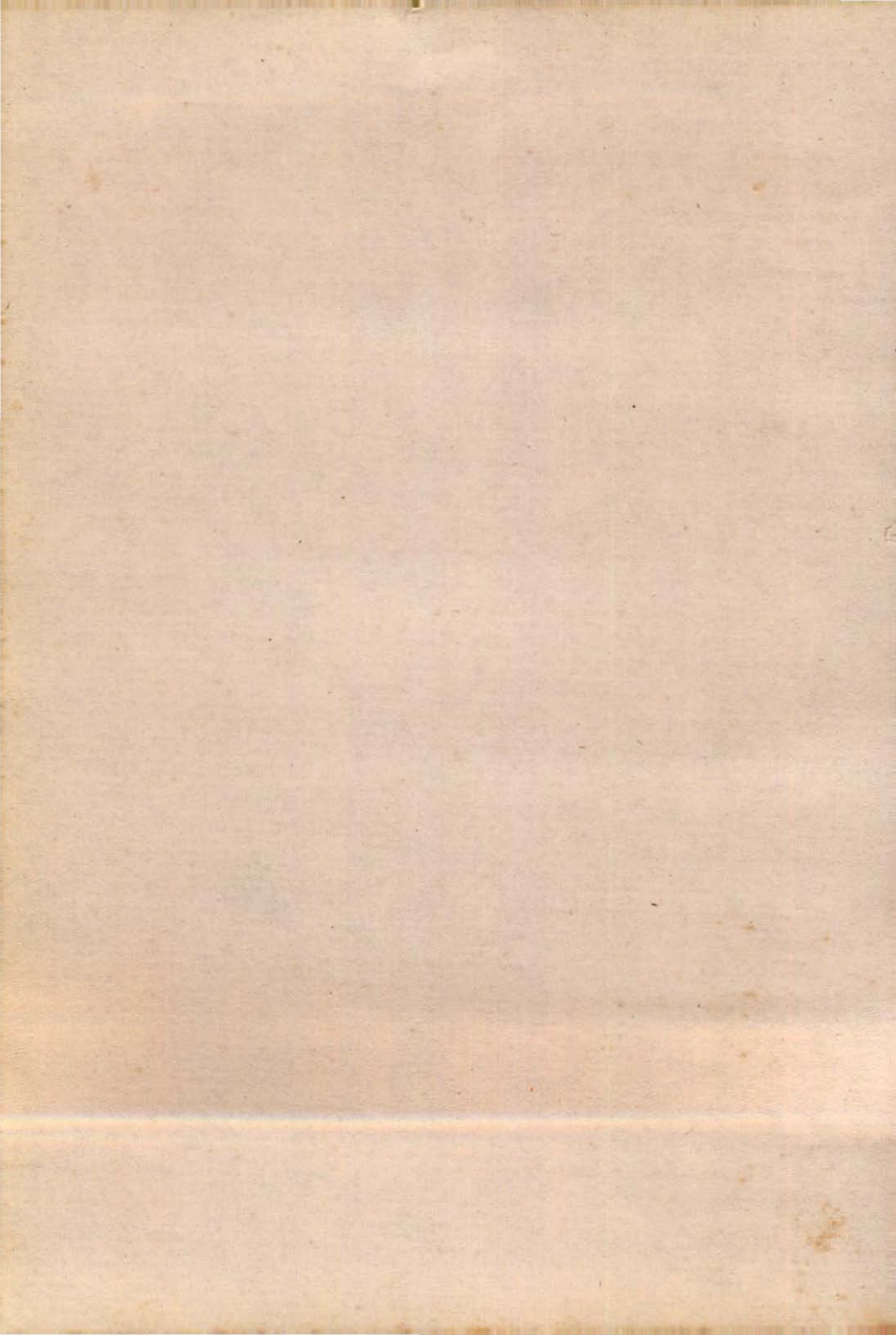
CAPITAL SECTION

11.	XXVIII—Co-operation	451.29 (26)	438.89 (18)	643.60 (36)
12.	XXXIV—Fisheries	130.39 (41)	36.77 (11)	110.89 (31)

2.2.07. Injudicious re-appropriation

Re-appropriation is transfer of funds within a Grant, from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. The State Budget Manual enjoins that re-appropriation is permissible only when there is a definite or reasonable chance of saving under the unit from which funds are proposed to be re-appropriated or it is meant to curtail expenditure under that unit, to meet more urgent





expenditure under another. Scrutiny of re-appropriation orders issued during 1984-85 revealed non-observance of this requirement, in a number of cases. The details of 11 such instances where re-appropriation for sums exceeding Rs.10 lakhs each turned out to be injudicious on account of expected savings not materialising under the head from which funds were transferred or the actual expenditure falling short of even the original provision under the head to which additional funds were transferred are given in Appendix 2.2.

2.2.08. Irregular re-appropriation

(a) Stating that more funds were needed to utilise the Central allocation under the National Rural Employment Programme, Development Department of the Government sanctioned a re-appropriation of Rs. 116 lakhs to the head '314.C—Rural Works Programme (g) 4. Forest' in 'Grant No. XXXVII—Community Development' in November 1984. A revised order cancelling the above re-appropriation and sanctioning a fresh re-appropriation of Rs. 16 lakhs to the head, was issued by the Development Department on 30th March 1985. However, an order resuming a sum of Rs. 27.25 lakhs from the head was issued by the Finance Department on the same day. Re-appropriation to augment provision by one department and issue of an order for resumption of funds by another department at the same time, indicate lack of co-ordination.

(b) On 30th March 1985, Government issued an order re-appropriating Rs. 11.25 lakhs from the head '730 (a) 3. Loans to Kerala State Industrial Enterprises Limited' in 'Grant No. XXXVIII—Industries'. On the same day, another re-appropriation order augmenting the provision under the head by Rs. 15 lakhs was issued. Issue of two orders on the same day, one reducing the provision and the other increasing it, shows that pre-sanction scrutiny was inadequate and defective.

2.2.09. Surrender of savings

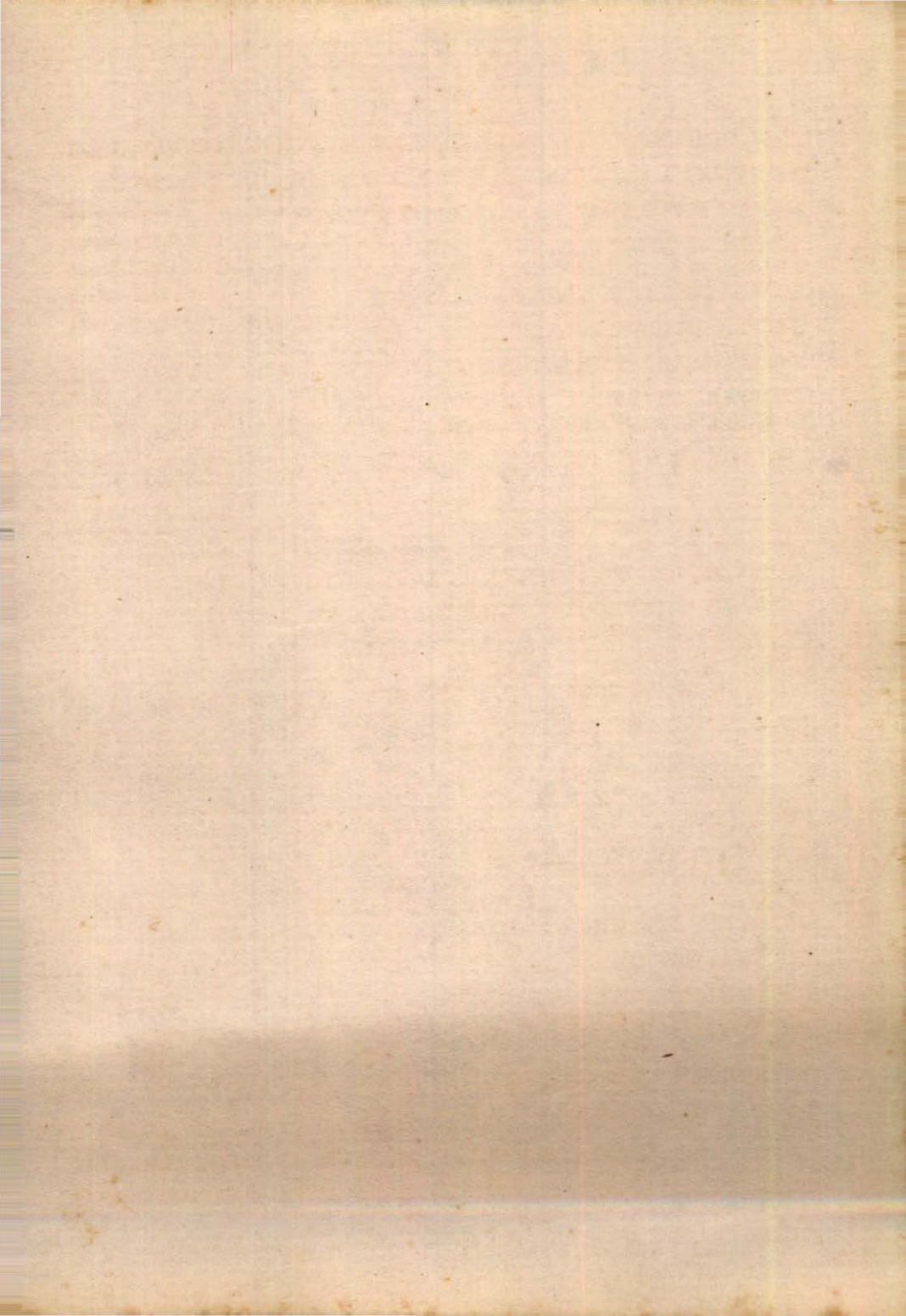
(a) The rules require that all anticipated savings should be surrendered as soon as the possibility of savings is envisaged. Such surrender is, however, being made only in March every year. Out of Rs. 59.19 crores surrendered during 1984-85, surrender of Rs. 57.54 crores was made on the last working day (30th March 1985) of the financial year.

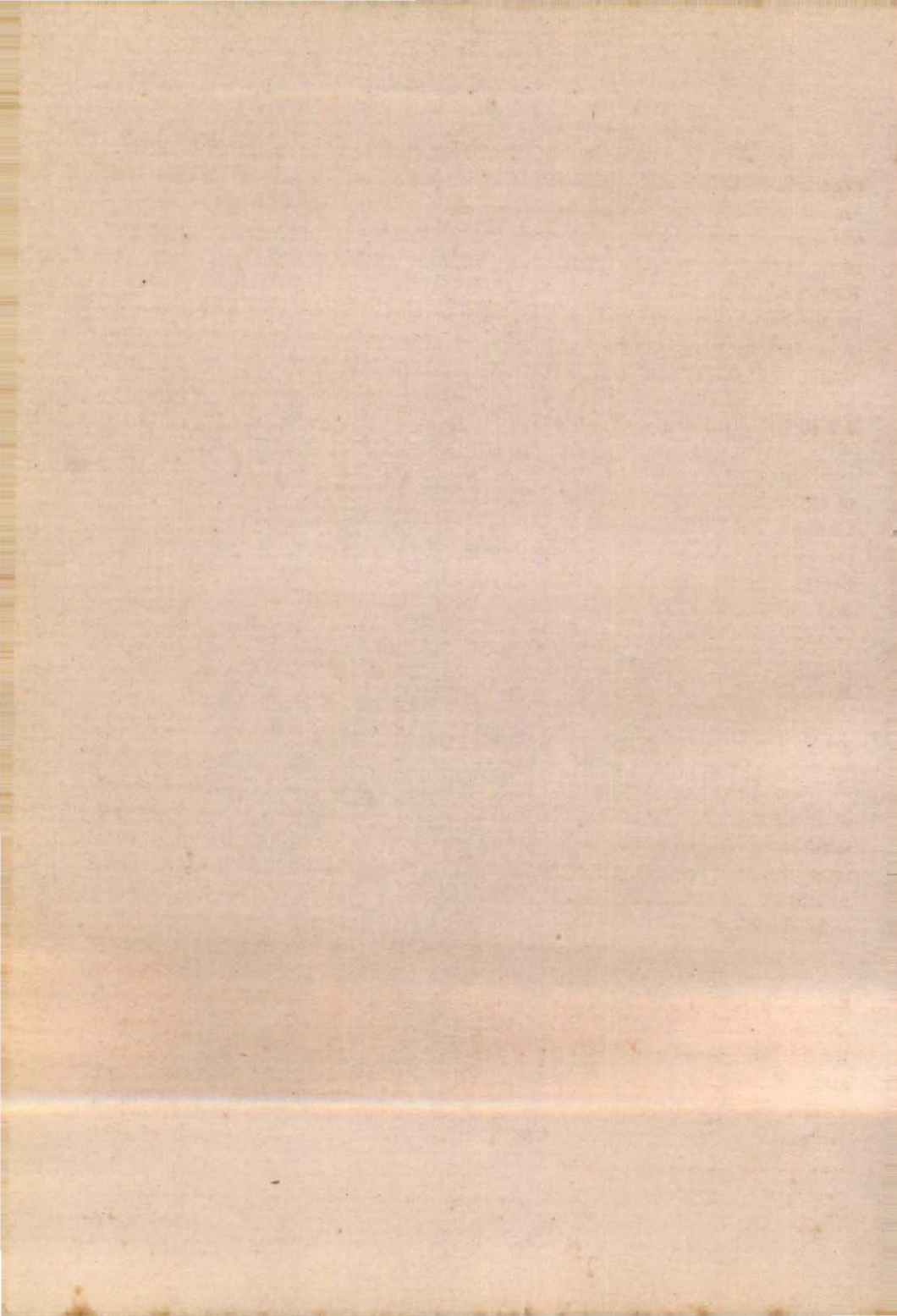
(b) In the following grants, savings exceeding Rs. 1 crore each remained unsurrendered.

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Total grant</i>	<i>Total saving</i>	<i>Unsurrendered saving and its percentage on total saving</i>
		<i>(in crores of rupees)</i>		<i>(in brackets)</i>
REVENUE SECTION				
1.	XIX—Family Welfare (voted)	15.44	1.31	1.16 (88)
2.	XXVI—Social Welfare including Harijan Welfare (voted)	62.53	10.34	6.98 (67)
3.	XXXIX—Irrigation (voted)	24.91	3.24	1.14 (35)
CAPITAL SECTION				
4.	XXIX—Miscellaneous Economic Services (voted)	2.35	1.17	1.03 (88)

(c) In the following grants, surrenders exceeding Rs. 50 lakhs in each case were made far in excess of savings actually available for surrender.

<i>Sl.no.</i>	<i>No. and name of grant</i>	<i>Total grant</i>	<i>Total saving</i>	<i>Actual surrender</i>	<i>Amount surrendered in excess</i>
		<i>(in lakhs of rupees)</i>			
REVENUE SECTION					
1.	XII—Police	5056.89	75.28	128.64	53.36
2.	XXI—Public Health Engineering	1862.43	441.69	497.43	55.74
3.	XXX—Agriculture	5471.92	350.74	442.38	91.64
4.	XXXVII—Community Development	6663.98	430.01	496.11	66.10
CAPITAL SECTION					
5.	XIX—Family Welfare	1066.00	547.90	669.55	121.65
6.	XXVIII—Co-operation	1810.58	643.60	700.10	56.50





(d) On 29th March 1985, Government issued sanction for incurring expenditure under the heads "481 (a) 1" and "481 (b) 1" for payment of amounts due to the Kerala Health Research and Welfare Society and for settling contractors' bills. However, without taking this into account, Government issued on the very next day another order resuming a sum of Rs. 169.55 lakhs under these two heads, on the basis of the proposals furnished by the department on 26th March 1985. The resumption of funds resulted in excess expenditure of Rs. 52.33 lakhs under "481 (a) 1" and Rs. 69.32 lakhs under "481 (b) 1" in 'Grant No. XIX—Family Welfare'.

2.2.10. Trend of recoveries and credits

During the year 1984-85, recoveries to be adjusted in accounts as reduction of expenditure were estimated at Rs. 43.25 crores (Revenue: Rs. 35.82 crores; Capital: Rs. 7.43 crores) against which the actual recoveries were Rs. 44.82 crores (Revenue: Rs. 37.34 crores; Capital: Rs. 7.48 crores). In the Revenue Section, excess recovery was mainly under 'Public Works' (Rs. 5.05 crores) and 'Irrigation' (Rs. 4.74 crores) while in the Capital Section, the excess recovery was mainly under 'Food' (Rs. 3.04 crores). There was, however, shortfall in recoveries under 'Public Health Engineering' (Revenue: Rs. 8.21 crores; Capital: Rs. 2.40 crores).

2.2.11. Advances from the Contingency Fund

The Contingency Fund of the State is in the nature of an imprest placed at the disposal of the Governor, to enable him to make advances for meeting unforeseen expenditure, pending authorisation by the Legislature. Advances from the fund are to be made only for meeting expenditure of an emergent character, the postponement of which, till its authorisation by the Legislature, would be undesirable. The corpus of the fund is Rs. 15 crores.

Seventy sanctions were issued during 1984-85 advancing Rs. 19,28.46 lakhs from the fund, out of which the amounts of thirteen sanctions (Rs. 8,43.16 lakhs) were later reduced by Rs. 2,52.38 lakhs. An advance of Rs. 15 lakhs sanctioned in January 1985 was not drawn till the Appropriation Bill authorising the expenditure from the Consolidated Fund had been enacted (27th March 1985). Sanctions in these cases had thus been issued without ensuring that the advance was wholly required or that the expenditure was of an emergent nature.

2.2.12. Absence of departmental reconciliation

The State Budget Manual requires that departmental figures of expenditure should be reconciled every month with those compiled by the Accountant General. Such reconciliation enables the departmental officers to exercise proper control over expenditure and to detect frauds and defalcations, if any, at an early stage. The Controlling Officers are to reconcile the figures and send monthly reconciliation certificates to the Accountant General.

The number of Controlling Officers who had not reconciled (November 1985) their figures up to the end of 1984-85 and the number of reconciliation certificates due from them are indicated below year-wise:—

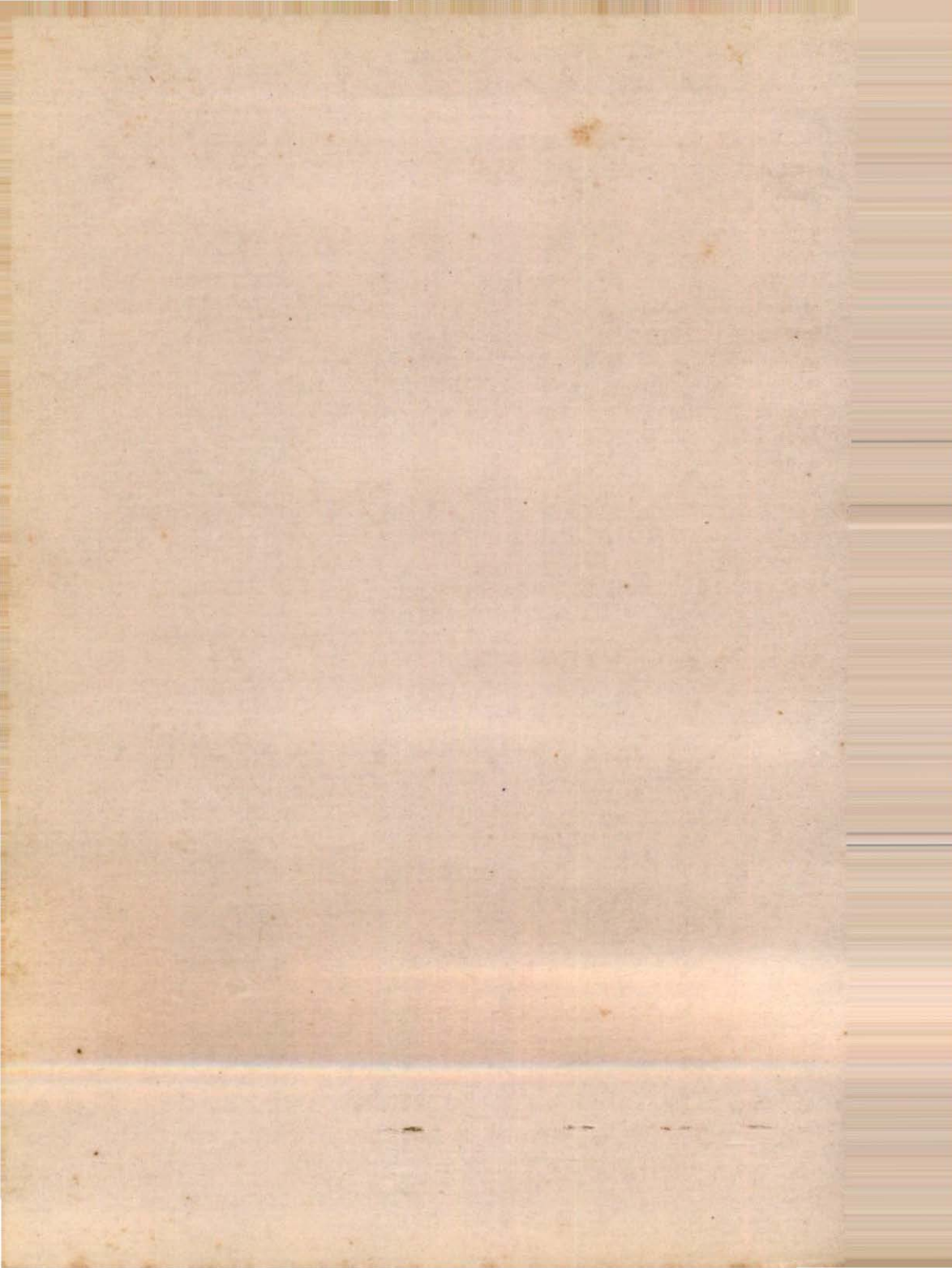
<i>Year</i>	<i>Number of Controlling Officers</i>	<i>Number of reconciliation certificates due</i>
1980-81	1	12
1981-82	2	22
1982-83	6	113
1983-84	97	671
1984-85	176	1,245

2.2.13. Budgetary procedure and control of expenditure

Test-check of records in 10 Chief Controlling Offices revealed various defects like non-maintenance/defective maintenance of several registers prescribed in the State Budget Manual, non-furnishing (to Government) of monthly returns of expenditure, non-reconciliation of departmental figures with those booked in accounts, etc. Particulars of the offices where the defects were noticed are given in Appendix 2.3. These defects indicate that control over expenditure exercised by the Chief Controlling Officers is far from effective.

2.2.14. Non-receipt of explanations for savings/excesses

After the close of each financial year, the detailed appropriation accounts showing the final grant/appropriation, the actual expenditure and the resultant variation are sent to the Controlling Officers, requiring them to explain the variations in general and those under important sub-heads in particular. The provision in the State Budget Manual requires the Controlling Officers to furnish promptly to the Accountant General all information required by him in connection with the preparation of Appropriation Accounts. It is, however, seen that the reasons for variations in regard to many important sub-heads every year are not furnished in time to Audit by the Controlling Officers.



For the Appropriation Accounts 1984-85, the explanations for variations were not received (December 1985) in 235 out of 393 important sub-heads despite repeated reminders.

2.2.15. Excess of earlier years pending regularisation

In pursuance of the recommendations contained in the thirty-first report of the Public Accounts Committee 1980-82, the Finance Department issued instructions (February 1982) to all departments to ensure that the processes concerned with regularisation of excesses disclosed in the Appropriation Accounts of each year are completed by 31st May of the second succeeding year or immediately after presentation of the Appropriation Accounts to the Legislature, whichever is later. These instructions have not been complied with by many departments. Notes for regularisation of excess under 36 voted grants and 4 charged appropriations relating to the years 1980-81 to 1983-84 are yet to be submitted to the Committee on Public Accounts (March 1986).

2.2.16. Co-relation of expenditure with physical progress

Test-check of performance in 12 schemes revealed that although the expenditure exceeded the provision in 6 cases and the provision was substantially utilised in 6 other cases, physical progress largely fell short of the target as indicated below:—

Sl. no.	Particulars of scheme	Target*	Physical Achievement and its percentage (in brackets)	Financial Provision (rupees in lakhs)	Expenditure (rupees in lakhs) and its percentage to provision (in brackets)
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AGRICULTURE DEPARTMENT

1	Development of pulses— Seed distribution (in tonnes)	325	90.3 (28)	4.00	3.83 (96)
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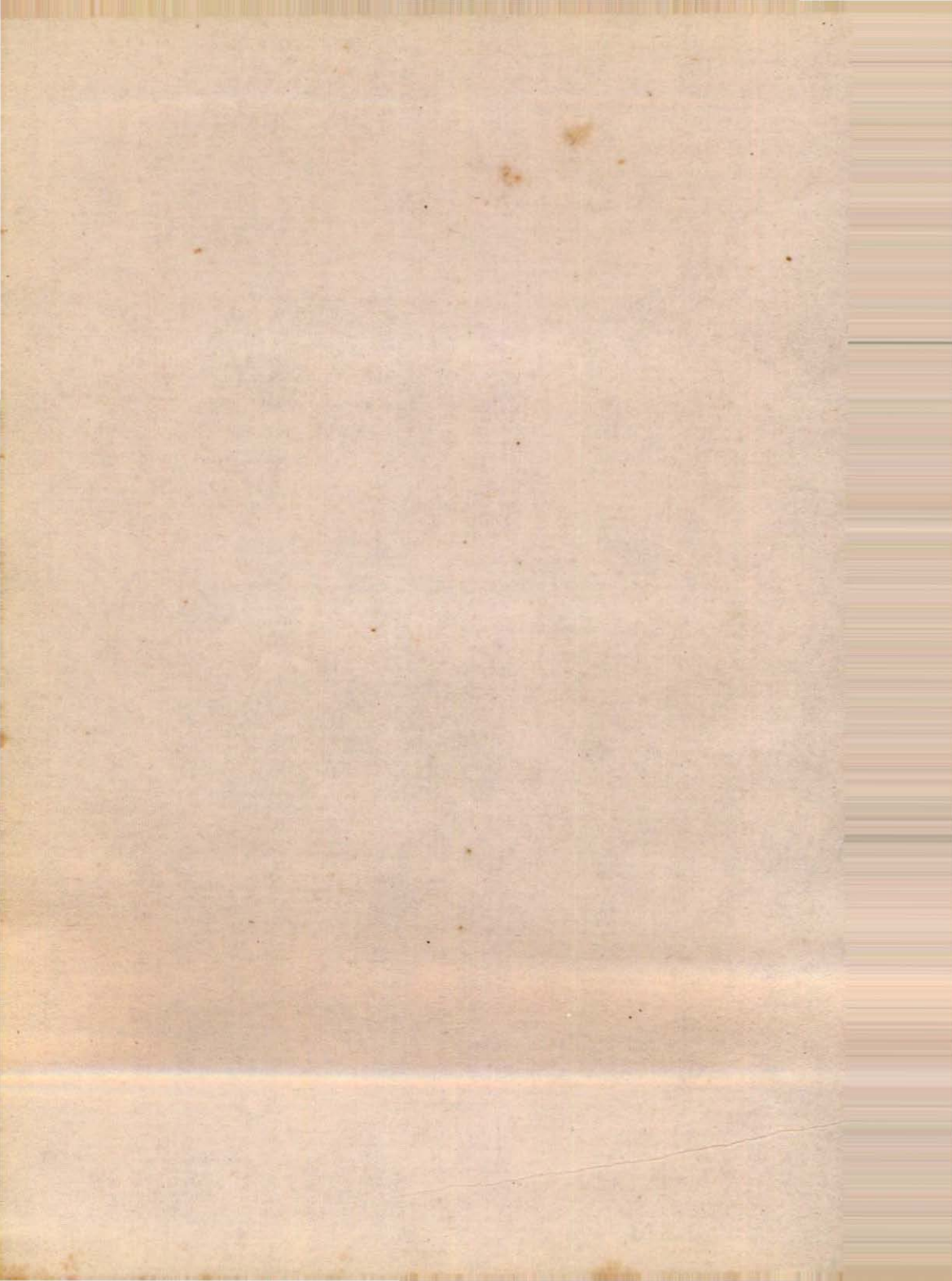
*Target for original provision.

Sl. no.	Particulars of scheme	Physical		Financial	
		Target*	Achievement and its percentage (in brackets)	Provision (rupees in lakhs)	Expenditure (rupees in lakhs) and its percentage to provision (in brackets)
2.	Spices nursery— multiplication and distribution of hybrid variety of pepper and seedlings of tree spices like clove, nutmeg, etc. (in lakhs)				
	Local pepper	40.00	12.31	} (24) 11.00	8.67 (79)
	Panniyoor	30.00	4.81		
	Nutmeg	0.15	0.05		
	Clove	1.00	0.10		

SCHEDULED CASTES/SCHEDULED TRIBES
DEVELOPMENT DEPARTMENT

3.	Development of Harijan habitats and provision for house-sites				
	Spill over works (No. of houses)	4,835	2,116	} (41) 72.00	49.47 (69)
	New works (No. of houses)	900	258		
4.	Housing schemes—Tribal Sub Plan (No. of houses)	140	11 (8)	14.00	13.47 (96)
5.	Housing scheme— Dispersed Tribes (No. of houses)	100	22 (22)	10.00	9.44 (94)

*Target for original provision.



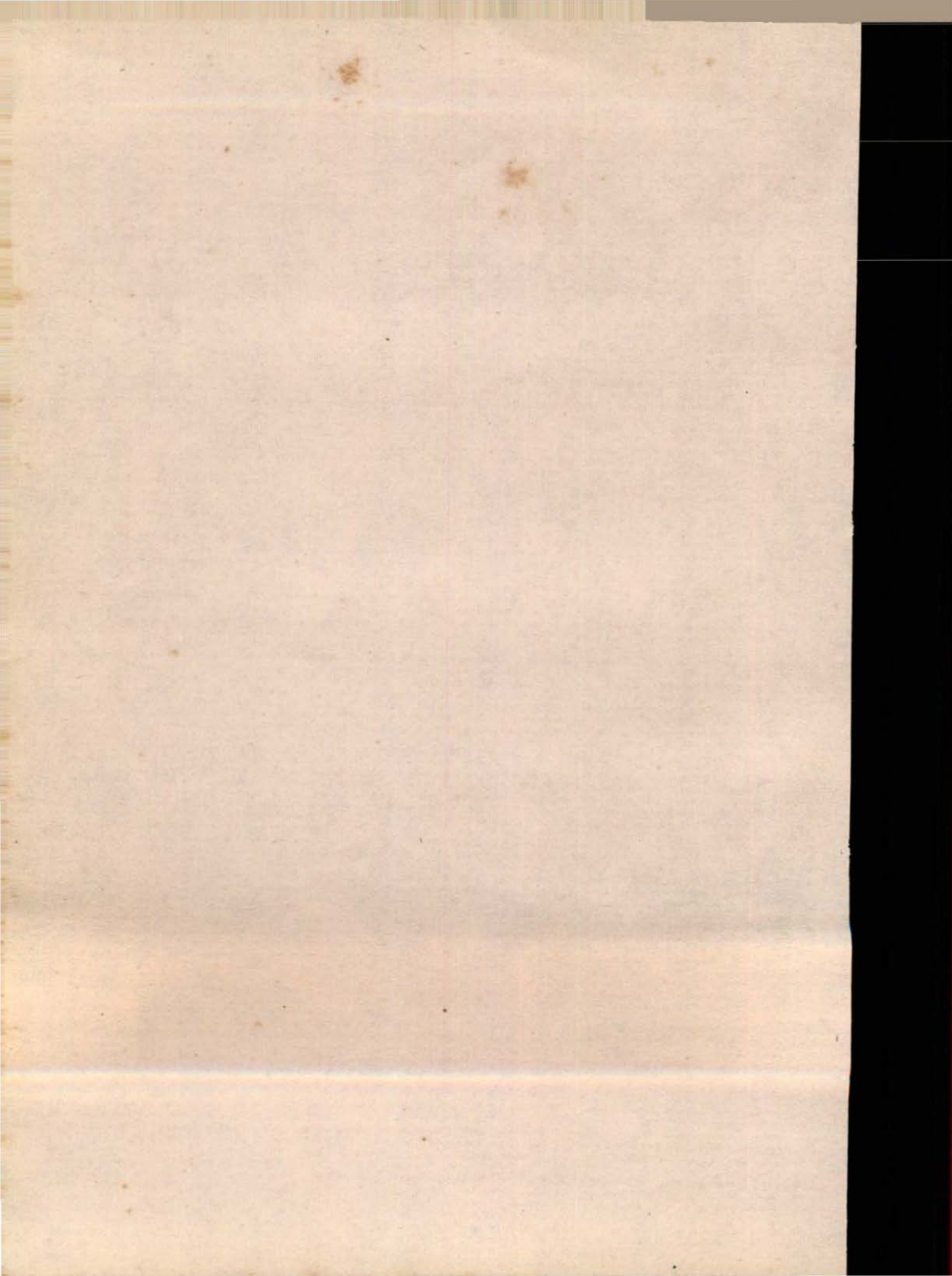
Sl. no.	Particulars of scheme	Physical		Financial	
		Target*	Achievement and its percentage	Provision (rupees in lakhs) (in brackets)	Expenditure (rupees in lakhs) and its percentage to provision (in brackets)
HOUSING DEPARTMENT					
6.	Government residential quarters (Nos.)	65	5 (8)	17.59	30.69 (174)
7.	Police Housing— Family quarters (Nos.)	195	28 (14)	39.71	56.8 (143)
FOREST ENVIRONMENT AND WILD LIFE DEPARTMENT					
8.	Survey of forest boundaries (No. of cairns)	14,450	1,412 (10)	6.00	10.31 (172)
9.	Plantation for economic and industrial uses (area in hectares)				
	Teak	1,100	844.69 (77)	39.60	41.04 (104)
	Softwood	420	139.22 (33)		
	Bamboo	105	48.94 (47)		
PUBLIC WORKS AND TRANSPORT DEPARTMENT					
10.	State Highways (No. of works)	86	12 (14)	61.70	81.81 (132)
11.	Major district roads— construction of bridges and culverts (No. of works)	106	32 (30)	67.05	42.50 (63)
12.	Village roads— New construction (No. of works)	2,341	217 (9)	324.08	462.80 (143)

* Target for original provision.

While reviewing the progress of implementation of Plan schemes during 1984-85, the Central Planning Monitoring Unit of the Government observed (July 1985) that physical achievements had not been reported by several implementing officers to facilitate correlation of expenditure with physical progress.

2.2.17. Drawal of funds in advance of requirements

The financial rules of Government prohibit drawal of money from treasury unless it is required for immediate disbursement. A test-check in audit disclosed that in seven cases (*vide* Appendix 2.4) moneys not required for immediate utilisation were drawn from the treasury at the fag end of the financial year and kept in treasury savings bank accounts (TSB)/personal deposit account (PDA) of the beneficiary institutions, Revenue deposit (RD), term deposit of Co-operative Bank, etc. The premature drawal of money in these cases was mainly to avoid lapse of funds.



CHAPTER III
CIVIL DEPARTMENTS
FOOD DEPARTMENT

3.1. Public Distribution System

3.1.01. *Introductory*

The Public Distribution System (PDS) introduced by the Government of India in 1955 is intended to (i) ensure supply of essential consumer articles of mass consumption to people at reasonable prices, particularly to the weaker sections of the society, (ii) control prices and reduce fluctuations in prices and (iii) ensure an equitable distribution of essential consumer goods, i.e., wheat, rice, sugar, controlled cloth, kerosene oil, etc. The State Government may include, in PDS, any other commodity considered as essential for mass consumption by arranging its procurement through agencies nominated by it.

The commodities are supplied by Central Government at central issue prices which are subsidised and/or controlled. The State Government is authorised to add to these central issue prices certain incidental charges to determine the retail consumer prices of such commodities. The consumer price of levy sugar is, however, uniform all over the country.

The PDS was introduced in Kerala in October 1965 when the Kerala Foodgrains (Regulation and Distribution) Order 1965 came into force. Distribution of rationed articles (rice, wheat, kerosene, etc.) is governed by the Kerala Rationing Order 1966 and is effected through a network of authorised wholesale and retail distributors. As at the end of March 1985, there were 12,503 ration shops (co-operatives: 1,441; others: 11,062) in the State.

3.1.02. *Organisation*

The administration of statutory rationing is vested in the Civil Supplies Department, which functions under the overall supervision of the Commissioner of Civil Supplies, who is a member of the Board of Revenue. He is assisted by the Director of Civil Supplies, Controller of Rationing, two Deputy Controllers of Rationing and four District Supply Officers (Vigilance). At the district level, the operations of the department are supervised by the District Supply Officers (DSOs). Under them function 61 Taluk Supply Officers (TSOs) and 6 City Rationing Officers (CROs). The DSOs/TSOs/CROs are vested with statutory powers for enforcement of rationing and

are required to inspect the depots of the wholesale and retail dealers to verify whether distribution of rationed articles is done properly and according to the instructions issued by Government/department. Kerala State Civil Supplies Corporation Limited — a State Government Company—formed in 1974 and Consumer Co-operative Societies which function as limbs of the public distribution system also play an important role in the distribution of essential articles.

3.1.03. *Scope of audit*

On an audit review of the PDS conducted during November 1984-April 1985 with reference to the records of the Board of Revenue (Civil Supplies), four District Supply Offices (Quilon, Trichur, Kozhikode and Palghat) and the Corporation, the following points were noticed.

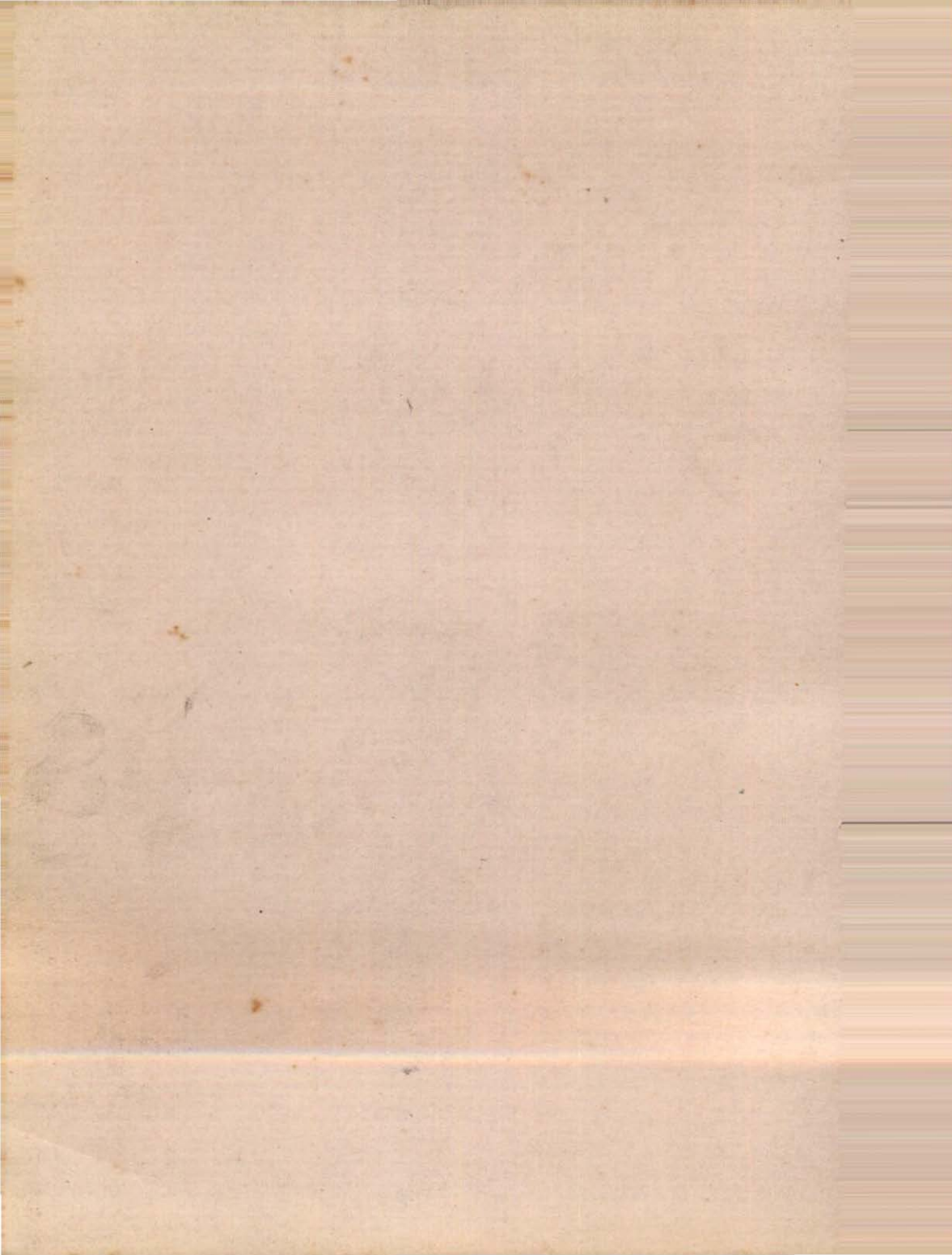
A. *Distribution through ration shops*

3.1.04. *Supply of foodgrains*

The foodgrains required for distribution through ration shops are obtained mainly from the Food Corporation of India (FCI) on the basis of allotments made by the Government of India. Details of estimated requirements, actual allotments made by the Government of India and actual quantity lifted during the period from 1980-81 to 1983-84 are given in the following table:—

<i>Period</i>	<i>Estimated requirement*</i>	<i>Quantity allotted by Central Government</i>	<i>Quantity lifted</i>	<i>Quantity distributed to ration card holders in the State</i>	<i>Shortfall in lifting and its percentage to quantity allotted</i>	<i>Shortfall in distribution compared to requirement and its percentage</i>
<i>(in lakh metric tonnes)</i>						
<i>Rice</i>						
1980-81	23.54	16.20	8.49	8.46	7.71 (48)	15.08 (64)
1981-82	23.25	14.40	11.09	11.03	3.31 (23)	12.22 (53)
1982-83	23.38	12.20	11.89	11.91	0.31 (3)	11.47 (49)
1983-84	15.04	13.50	13.42	13.14	0.08 (1)	1.90 (13)
<i>Wheat</i>						
1980-81	17.65	0.84	0.48	0.49	0.36 (43)	17.16 (97)
1981-82	17.44	0.48	0.45	0.44	0.03 (6)	17.00 (97)
1982-83	17.53	1.40	0.91	0.85	0.49 (35)	16.68 (95)
1983-84	17.72	4.05	2.09	2.07	1.96 (48)	15.65 (88)

*Based on the total number of units and scale of ration sanctioned by Government from time to time.



The reasons adduced by the department for the shortfall in lifting of rice were (i) labour problems, (ii) non-availability of stock in FCI depots on certain occasions, and (iii) poor quality of rice issued by FCI when good quality boiled rice was available in the open market at reasonable prices. The shortfall in lifting/distribution of wheat was attributed to inadequate demand for it and availability of rice, which is the staple food of Kerala.

3.1.05. *Shortfall in distribution*

A test-check of the records of District Supply Office, Kozhikode for the period January-April 1983 indicated that the stock in the distribution outlets was inadequate to effect supplies according to the prescribed scale of ration as shown below:—

Month	Monthly require- ment of rice according to the prescribed scale of ration	Availability of rice with the ration dealers, including opening balance (in thousand tonnes)	Offtake of rice during the month	Percentage of shortfall in offtake to actual require- ment
January 1983	20	14	13	35
February 1983	16	12	10	38
March 1983	16	13	10	38
April 1983	20	14	12	40

The quantity distributed was less than 66 *per cent* of the requirement during all the four months.

Similar shortfall noticed in Palghat Taluk for the period from January 1982 to April 1983 ranged between 45 and 76 *per cent* while that in Alathur Taluk during 1982 ranged between 61 and 80 *per cent*.

3.1.06. *Procurement of levy paddy*

The Kerala Rice and Paddy (Procurement by Levy) Order, 1966 brought into effect from 1st July 1966 empowers Government to procure paddy from cultivators compulsorily by levy. The paddy procured is hulled and the rice obtained is utilised for ration purposes. Under the order, persons cultivating paddy in more than 2 acres of land were liable to levy. In July 1978, Government exempted cultivators holding less than 10 acres of land from compulsory levy.

The actual procurement of levy paddy was far less than the quantity due from the *levydars*. Against 7,042 tonnes due towards levy from the Virippu (Kharif) season of 1978 to Virippu (Kharif) season of 1981 (information for the subsequent period is awaited from the department), the actual quantity collected was only 2,592 tonnes. The short procurement of 4,450 tonnes worked out to more than 63 *per cent* of the demand.

In Palghat District, against 1,380 tonnes of paddy due as levy for the period 1981-82 to 1983-84, the actual procurement was only 235 tonnes. The short collection (1,145 tonnes) was ascribed by the District Supply Officer to stay orders issued by Courts and higher authorities on petitions filed by the *levydars*.

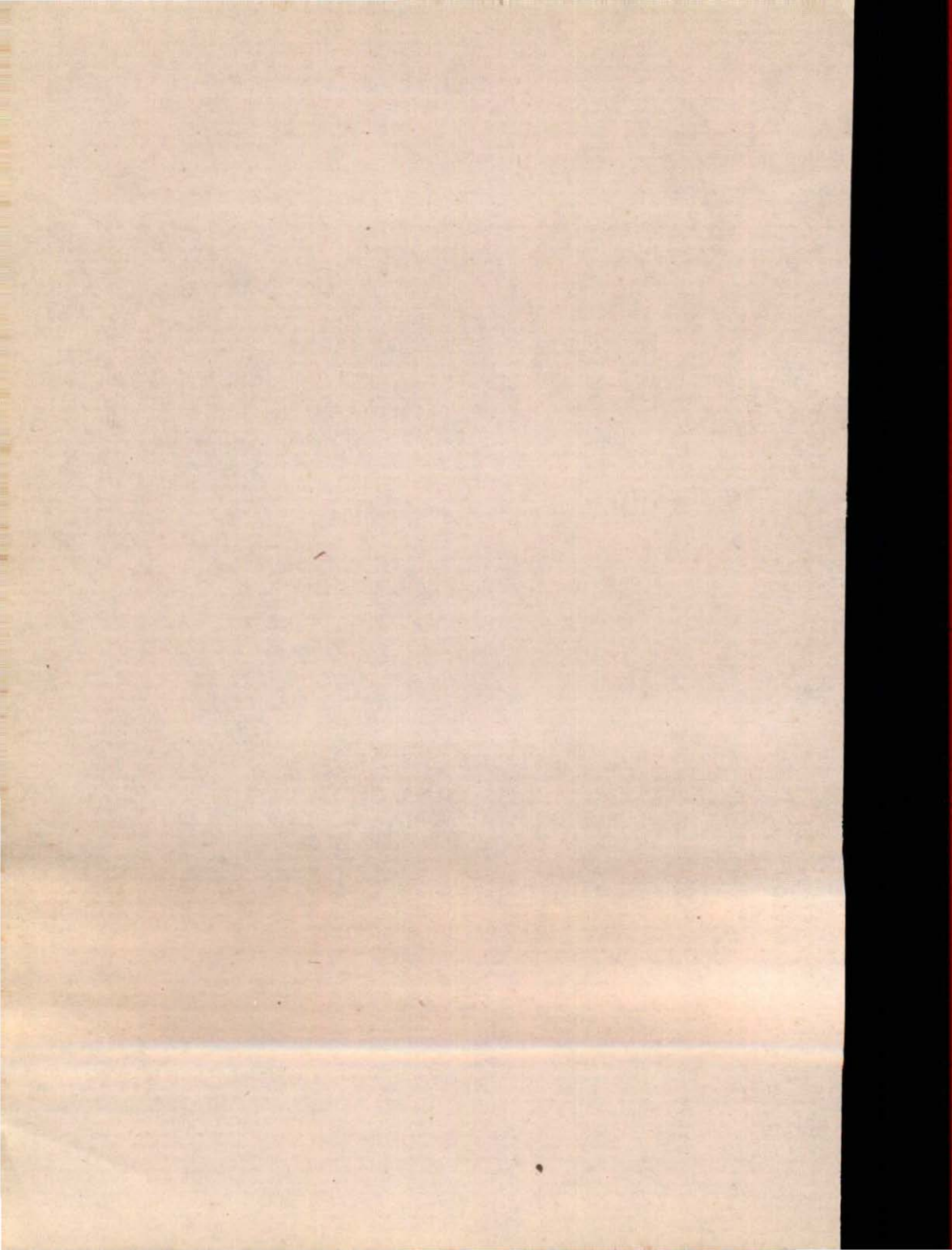
3.1.07. *Breakdown in supply of ration*

Ration articles could not be lifted from FCI depot at Mulamkunnathukavu (Trichur District) from 8th September to 14th October 1984 on account of a labour strike in the depot. This caused a breakdown in supply of ration articles in Trichur, Chavakkad and Kodungallur Taluks during the period. No alternative arrangement was made by the department to supply ration articles from other depots to the affected cardholders numbering over 2.22 lakhs. The quantity of grains due but not distributed to them during the period was 1,969 tonnes.

3.1.08. *Linking of retail, wholesale and FCI depots*

Responsibility for lifting foodgrains from FCI depots and supplying them to retailers is entrusted to the authorised wholesale dealers, who are allowed a margin over cost to cover various elements like profit, charges for transport of grains from FCI depot to the wholesale depot, etc. A similar margin is allowed to retailers which includes an element for meeting the cost of transport from the wholesale depot to the Authorised Retail Depot (ARD). For the purpose of transport charges, the wholesale dealers are categorised as falling into five zones depending on the distance between FCI depot and wholesale depot. Similar classification is done in the case of retail dealers also. The margin of profit (including cost of transport) is taken into account in fixing the wholesale issue price and retail consumer price.

In order to keep the consumer price uniform in each zone, a price equalisation charge is also collected by Government from the dealer, which forms part of the consumer price. If a dealer, who can be linked to a nearer zone is linked to a farther one, it will entail an increase in consumer price besides altering the amount levied by Government towards price equalisation charge.



In September 1976, the Board of Revenue issued instructions to the DSOs and TSOs to relink the Authorised Wholesale Depots (AWDs) and ARDs consequent on reshuffling of the zones in May 1976. The relinking was to be done initially after verifying the distance by using departmental vehicles and finally after ascertaining the certified distance from the Public Works Department (PWD). Test-check in audit (January 1985) showed that linking of 3,042 ARDs out of 4,039 ARDs functioning in the districts of Quilon, Trichur, Kozhikode and Palghat had not yet been finalised owing to non-receipt of certified distances from the PWD authorities. Similarly, the final linking of 1,404 out of 1,680 kerosene wholesale dealers in Kozhikode and Palghat Districts was also pending. Government stated in November 1985 that every effort was being made to get the certificates without much delay.

On test-check, it was found (December 1984-January 1985) that AWD in 5 taluks (2 in Quilon, 2 in Palghat and 1 in Trichur) had not been linked to the nearest FCI Depot and that the resultant price increase (which had the effect of overcharging the consumer or reducing revenue to Government by way of price equalisation charge) aggregated Rs. 23.28 lakhs during the period from April 1980 to November 1984 *vide* details below:—

<i>Taluk (District)</i>	<i>Place of FCI depot nearest to AWD</i>	<i>Place of FCI depot from where foodgrains were lifted</i>	<i>Quantity of Rice (R) and Wheat (W) lifted (tonnes)</i>	<i>Amount overcharged to consumer/ reduction in revenue (Rs. in lakhs)</i>
Kunnathur (Quilon)	Kundara	Chingavanam Quilon Avaneeswaram Mavelikara	R. 29,154 W. 2,101	1.66
Kottarakara (Quilon)	Avaneeswaram	Quilon	R. 86,714 W. 3,330	5.91
Mannarkad (Palghat)	Angadipuram	Olavakot	R. 11,311 W. 590	1.11
Ottapalam (Palghat)	Mulamkunna- thukavu Angadipuram	Olavakot	R. 63,590 W. 3,418	5.95
Kodungallur (Trichur)	Chalakydy	Mulamkunnathu- kavu Olavakot	R. 79,846 W. 5,735	8.65
			Total	23.28

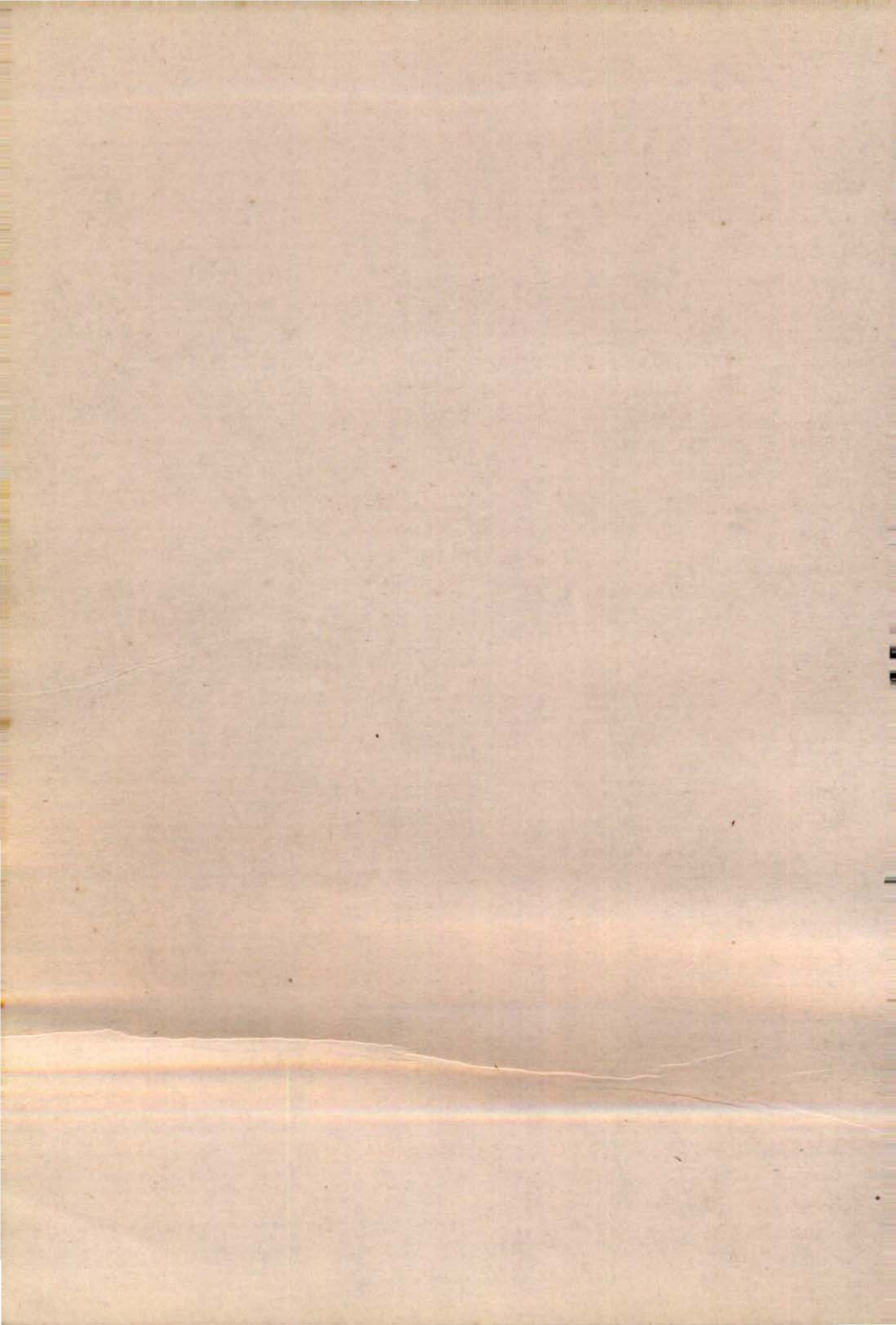
The uneconomic linking of AWDs in Kottarakara was attributed by the DSO, Quilon to inadequate storage capacity of the nearer FCI depot as also the intention to avert labour problems in the farther FCI depot.

In the cases where a FCI depot was not in a position to meet the requirements of any of the ration distributors linked to it and the latter had to lift grains from other depots, Government of India had advised FCI to reimburse the resultant extra cost. Owing to inadequacy of stock and delay in finalisation of contracts for handling and transport, FCI could not issue foodgrains to the dealers in Chalakudy, Thalappally, Chavakkad, Trichur, Kozhikode Quilandy, Badagara, Palghat and Alathur Taluks during 1980-1984 from their nearest depots. As a result 36,270 tonnes of foodgrains had to be lifted from distant depots, involving extra cost of Rs. 7.35 lakhs. The amount has not yet been got reimbursed from FCI (November 1985).

Six AWDs each in Quilandy and Badagara Taluks were linked to FCI depot at West Hill, Kozhikode. The distance of the depot from the AWDs was above 16 km. and upto 28 km. in the case of Quilandy and above 40 km. and upto 64 km. in the case of Badagara. A new FCI depot was started in July 1984 at Thikkodi which was less than 16 km. from Quilandy and Badagara. However, the AWDs in the 2 taluks have not been delinked from the more distant West Hill Depot and linked to Thikkodi depot so far (November 1985). These AWDs lifted 24,268 quintals of grains from West Hill depot during the period August-December 1984, incurring an additional expenditure of Rs. 2.94 lakhs compared to the transport charges from Thikkodi depot. Government attributed (November 1985) the delay in relinking to a labour dispute (between the head-load workers and the FCI) which had eluded settlement.

Kerosene is lifted by wholesalers either from the district depots/nearest depots of the oil company or from its installation at Cochin. The retail price was to be fixed after adding the prescribed margins including transport charges to the price charged by the oil company. In May 1980, the Director of Civil Supplies instructed the DSOs to ensure that in the cases where there was a variation between the price so fixed with reference to oil company's price at the district depot/nearest depot and that fixed with reference to the oil company's price at its installation in Cochin, the lower of the two should be adopted for purpose of price fixation. In the case of 17 dealers in 3 districts (Quilon, Kozhikode and Palghat) who had lifted 22,525 kilolitres of kerosene from the oil company's installation at Cochin during the period from April 1983 to December 1984, the price was fixed by the department





based on the price at the nearest district depot instead of the lower price at the oil company's installation at Cochin. Failure to adopt the lower price resulted in overcharging the consumers by Rs. 3.65 lakhs. In the case of two dealers in Badagara Taluk linked to district depot of the oil company, transport charges were allowed during the period from March 1976 to September 1979 based on the distance from the oil company's installation at Cochin which was farther. The resultant inflation in price due to higher transport charges allowed, amounted to Rs. 3.05 lakhs. The excess profit that had accrued to the dealers on this account was recoverable from them under Kerala Rationing Order 1966, but the recovery had not yet been made (August 1985).

3.1.09. *Collection of excess charges by retail distributors*

A verification of the accounts of the retail dealers of Alathur and Palghat Taluks for the period January-August 1983, conducted by the District Supply Officer (Vigilance), revealed that 132 out of 149 ARDs in Alathur Taluk and 40 out of 155 ARDs in Palghat Taluk had collected Rs. 0.15 lakh in excess from the consumers and had also misappropriated ration articles valued at Rs. 0.53 lakh. Licences granted to 108 ARDs in Alathur and 30 ARDs in Palghat were cancelled and the amounts collected in excess misappropriated were ordered to be recovered. Out of Rs. 0.68 lakh due for recovery, only Rs. 0.32 lakh had been recovered so far (January 1985). The irregularity was not detected by Taluk Supply Officers and Rationing Officers during their inspection, which indicates that their inspection was ineffective.

3.1.10. *Consumer Protection Unit*

The new 20-Point programme launched by Government of India in January 1982 envisaged promotion of a strong Consumer Protection Unit to provide protection to consumers in the matter of quality, price and quantity of commodities supplied. Though certain suggestions were made in this regard by Director of Civil Supplies in October 1983, no follow-up action had been taken (June 1985).

B. *Distribution through Kerala State Civil Supplies Corporation Limited*

3.1.11. Kerala State Civil Supplies Corporation Limited—a Government Company—was established in June 1974 to procure, supply and distribute foodgrains and other essential commodities for ensuring their easy

availability to the public at reasonable prices and holding the price line. On a review of the operations undertaken, it was seen that the above objectives were not achieved. The review revealed the following points:—

(1) Overcharging of consumers as a result of price fixation inclusive of an unjustified component of wholesale margin in the case of edible oils.

(2) Incorrect inclusion of cess in the price structure of cement sold by Corporation resulted in overcharging consumers by Rs. 52.58 lakhs.

(3) Purchase of rice by Corporation at higher cost when cheaper offers were available and market prices were falling resulting in accumulation of stock and substantial loss to the Corporation.

(4) Non-supply of levy sugar in time to card holders.

(5) Non-levy sugar was sold at a price higher than the average open market retail price.

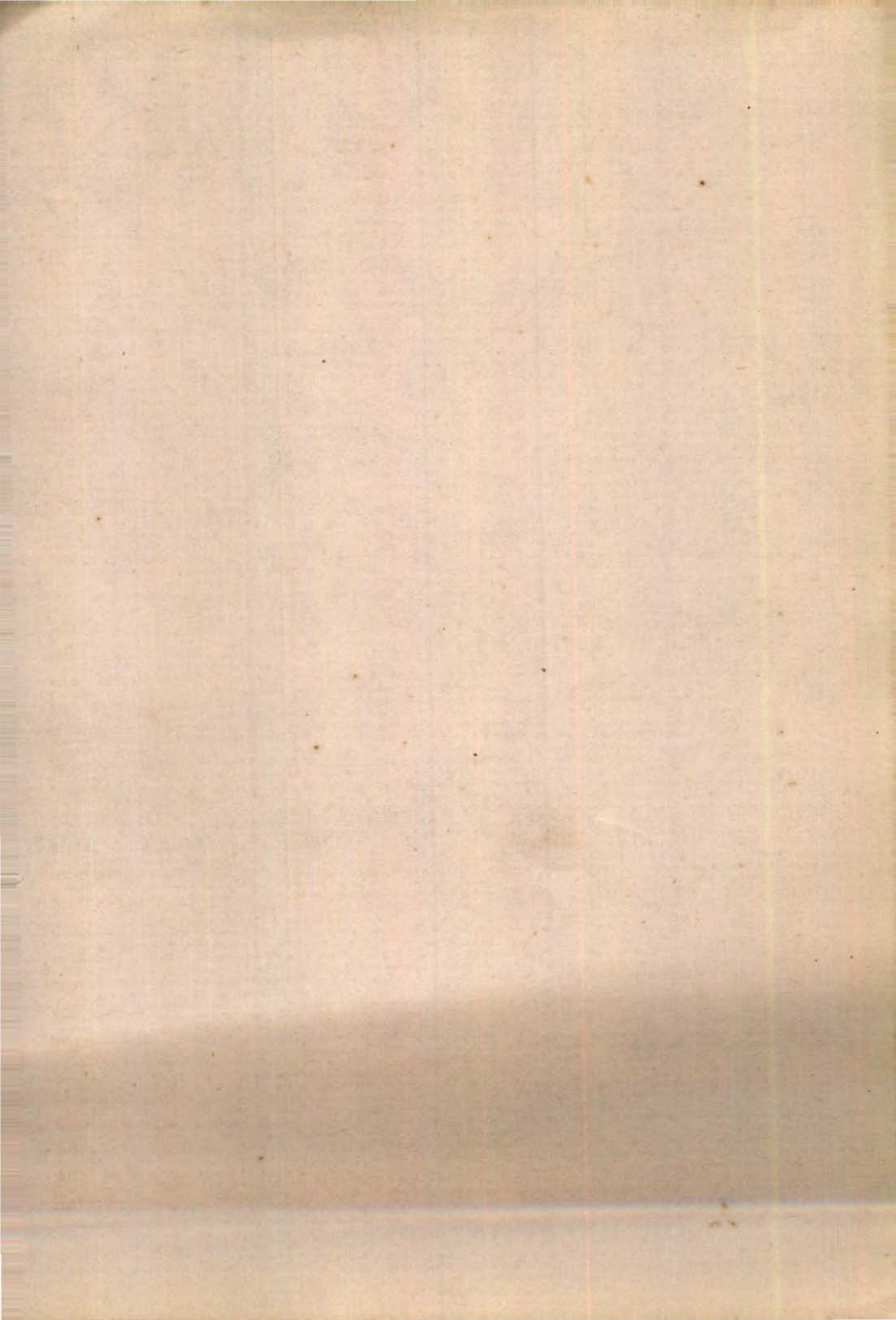
The above points are elaborated below:—

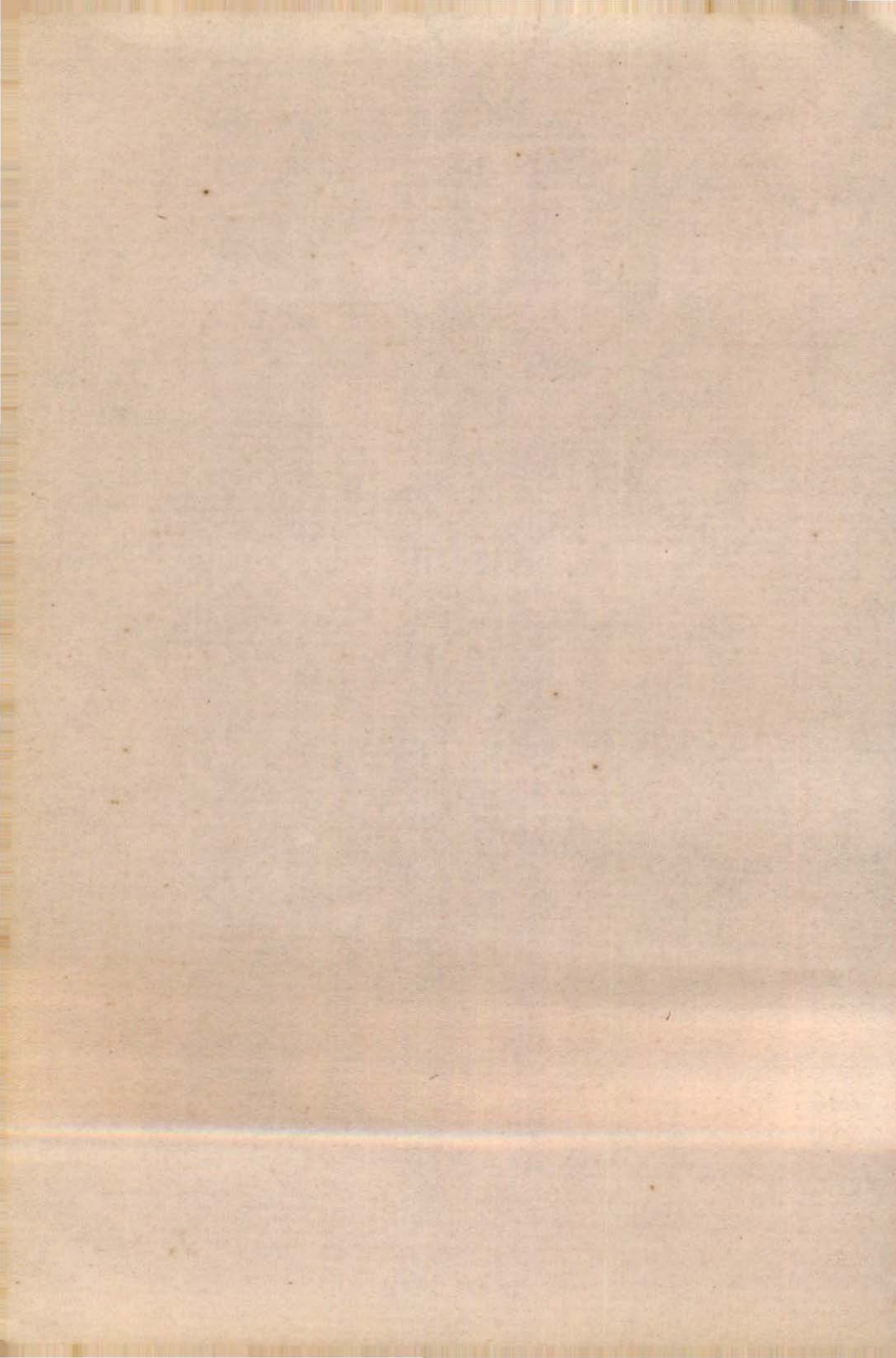
3.1.12. *Sale of edible oils (loose)*

Edible oils imported by the Government of India through State Trading Corporation of India (STC) and allotted to the State are distributed by the Corporation* through its sales outlets/authorised retail distributors of the Civil Supplies Department and Co-operative Stores. The retail price of edible oils sold by the Corporation through its outlets was fixed by adding both wholesaler's margin and retailer's margin to cost. For distribution of edible oil (loose) through ARDs, Co-operative societies, etc., the Corporation acts as an agent of Government and supply of oil to these outlets did not constitute wholesale trade. Hence there was no justification for the Corporation to avail itself of any wholesale margin. On 54,495 tonnes of edible oils distributed during the period from 1st January 1984 to 31st January 1985, wholesaler's margin charged by the Corporation, which had the effect of inflating the retail price, amounted to Rs. 1,58.27 lakhs.

Upto March 1982, STC was supplying edible oil at Rs. 6,400 per tonne and the Corporation was selling it at Rs. 9.50 per kg. Following the revision of STC's price to Rs. 7,000 per tonne from March 1982, the Corporation also enhanced the retail price to Rs. 10 per kg. with effect from June 1982. The price was again revised by the Corporation to Rs. 12 per kg. with effect from January 1984, although there was no increase in purchase price then. In May 1984, when STC increased the price to Rs. 8,000 per tonne, the Corporation did not, however, revise the price. Considering the elements covered in the price fixation, the retail

* Kerala State Civil Supplies Corporation Limited.





price charged by the Corporation from January 1984 was on the high side. The purchase price and all the overheads including profit margin would have been covered by a price per kg. of Rs. 10 up to May 1984 and Rs. 11 thereafter. Fixation of a higher price resulted in overcharging the consumers by Rs. 7.19 crores on the sale of 54,495 tonnes from 1st January 1984 to 31st January 1985.

3.1.13. *Sale of edible oils in consumer packs at enhanced rates*

Tinned edible oil allotted by the Government of India to the State Government is lifted by the Corporation and sold through its sales outlets or through the Kerala State Co-operative Consumers' Federation. On the basis of issue price fixed by the Government of India, economic price of tinned oil is fixed by the Corporation, taking into account cost of transportation and storage, interest on capital, overhead charges and taxes. The wholesale and retail prices are fixed by adding the margins therefor and are got approved by the State Government. As the Corporation was selling tinned oil through its own sales outlets, there was no wholesale trade and hence there was no justification for allowing wholesaler's margin, for the sales effected by the Corporation. In respect of 2,333 tonnes of Palmolein lifted by the Corporation between March and August 1984, the wholesalers' margin amounted to Rs. 11.67 lakhs.

From March to May 1984, the supply price of 2 kg. tin of Palmolein was Rs. 24.40 while that of Soyabean oil was Rs. 26.65 per tin. The wholesale and retail prices of both the oils were fixed by the Corporation with reference to the supply price of Soyabean oil which had the effect of inflating the price of Palmolein. When the supply price of 2 kg. Palmolein was enhanced to Rs. 26.80 from May 1984, the Corporation enhanced the retail price by one rupee. As the price fixed prior to May 1984 already contained an excess profit of Rs. 2.40 per tin, the retail price effective from June 1984 still contained an excess profit of Re. 0.85 per tin. The total excess profit on 22,250 tins lifted during April and May 1984 and 9,000 tins lifted in June 1984 amounted to Rs. 0.58 lakh.

The Corporation proposed (March 1984) to fix the retail price of 4 kg. tin Palmolein at Rs. 56; but this was enhanced by Government to Rs. 58 in March 1984, without assigning any reason. The resultant increase in price of 20,250 tins distributed in March and April 1984, which had to be borne by the consumers, amounted to Rs. 0.41 lakh.

When STC started supply of 5 kg. tin Palmolein in April 1984 at Rs. 57.26 per tin, the retail price was fixed by the Corporation at

Rs. 72.50 per tin although a price of Rs. 70 would have been adequate to cover the overheads and profit margin. As a result, the Corporation earned an undue profit of Rs. 1 lakh on 39,800 tins sold during April/May 1984.

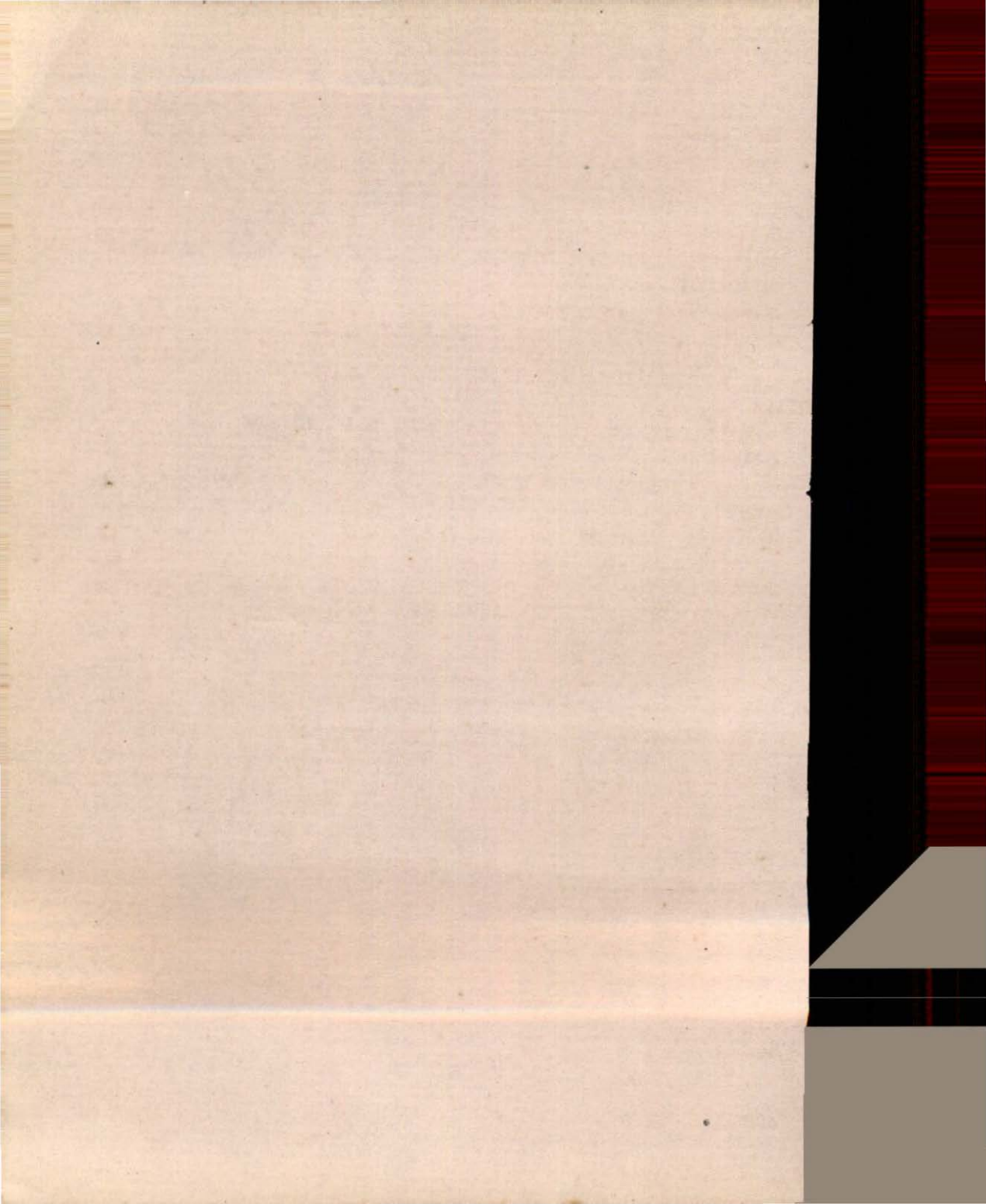
In August 1984, Government of India prescribed the retail prices of various packs to ensure uniformity of prices throughout the country. The revised prices were to come into effect from 1st September 1984. The price fixation order of the Government of India was communicated by the State Government to the Corporation in September 1984. However, no steps were taken to reduce the retail prices to bring them in line with the retail prices fixed by the Government of India. The price charged by the Corporation for 5 kg. tin was Rs. 75 per tin as against Rs. 72.40 per tin fixed by Government of India. The fixation of higher price was irregular and had the effect of overcharging the consumers by Rs. 11.23 lakhs on 4.32 lakh tins lifted between September 1984 and January 1985.

3.1.14. *Unnecessary increase in price of cement*

The State Government proposed (March 1983) to impose a cess of Rs. 4 per packet of imported cement sold by public sector institutions in the State. No legislation was enacted to impose the levy. While making the proposal, Government had indicated that the burden arising from the cess would not be passed on to the consumers. Nevertheless, Corporation included the cess in its price structure and fixed the price at Rs. 72 per packet. The cess amount collected by Corporation as part of the selling price on 65,772 tonnes sold by it between May 1983 and July 1983 amounted to Rs. 52.62 lakhs.

3.1.15. *Avoidable purchases of Punjab rice at exorbitant prices leading to accumulation of large surplus stock and losses*

In March 1983 Government of India accorded permission to Government of Kerala to purchase 15,000 tonnes of rice from the open markets of Haryana and Punjab. The open market price in Punjab during March 1983 was Rs. 235 per quintal. The price gradually rose to Rs. 285 per quintal by 8th July 1983, Rs. 310 by 2nd September and still higher to Rs. 315 by 23rd September 1983. In September 1983 the open market prices in Kerala were falling. On 24th September the Kerala State Civil Supplies Corporation Limited decided that it should obtain quotations from known suppliers of North Indian rice for finalising the purchase on 28th September 1983. Accordingly, on 28th September 1983 the Corporation accepted the negotiated price of Rs. 326 a quintal of a New Delhi firm for



the supply of 15,000 tonnes of rice of Punjab or Haryana origin. This hasty conclusion of a contract was not warranted by the price trends in Punjab or Kerala or the stock position of rice with the Corporation. The price of Rs. 315 per quintal was the peak market price of the season in Punjab and by 30th September 1983 the price fell to Rs. 302 a quintal. Almost simultaneously, the Corporation had invited quotations giving time till 10th October for submitting bids and it received lower offers of Rs. 310 a quintal. This indicates that the hurried finalisation of the contract gave the New Delhi firm whose representatives were camping in Trivandrum, and who could, therefore, quote from Trivandrum and later negotiate and reduce prices, an unfair advantage. Negotiations were conducted with only this firm and not with the other firms who had quoted equal or lower rates. In addition to agreeing to the price of Rs. 326 a quintal which was exorbitant as compared to the prevailing Punjab market rate of Rs. 302 a quintal on 30th September 1983, the Corporation agreed to bear the cost of inspection and shortages in transit. (For the purchases the Corporation was making from Andhra, the cost of inspection and shortages was to the supplier's account). These concessions came to Rs. 16.72 lakhs (Rs. 3 lakhs being the cost of inspection and Rs. 13,71,644 being the value of the actual shortages incurred by the Corporation).

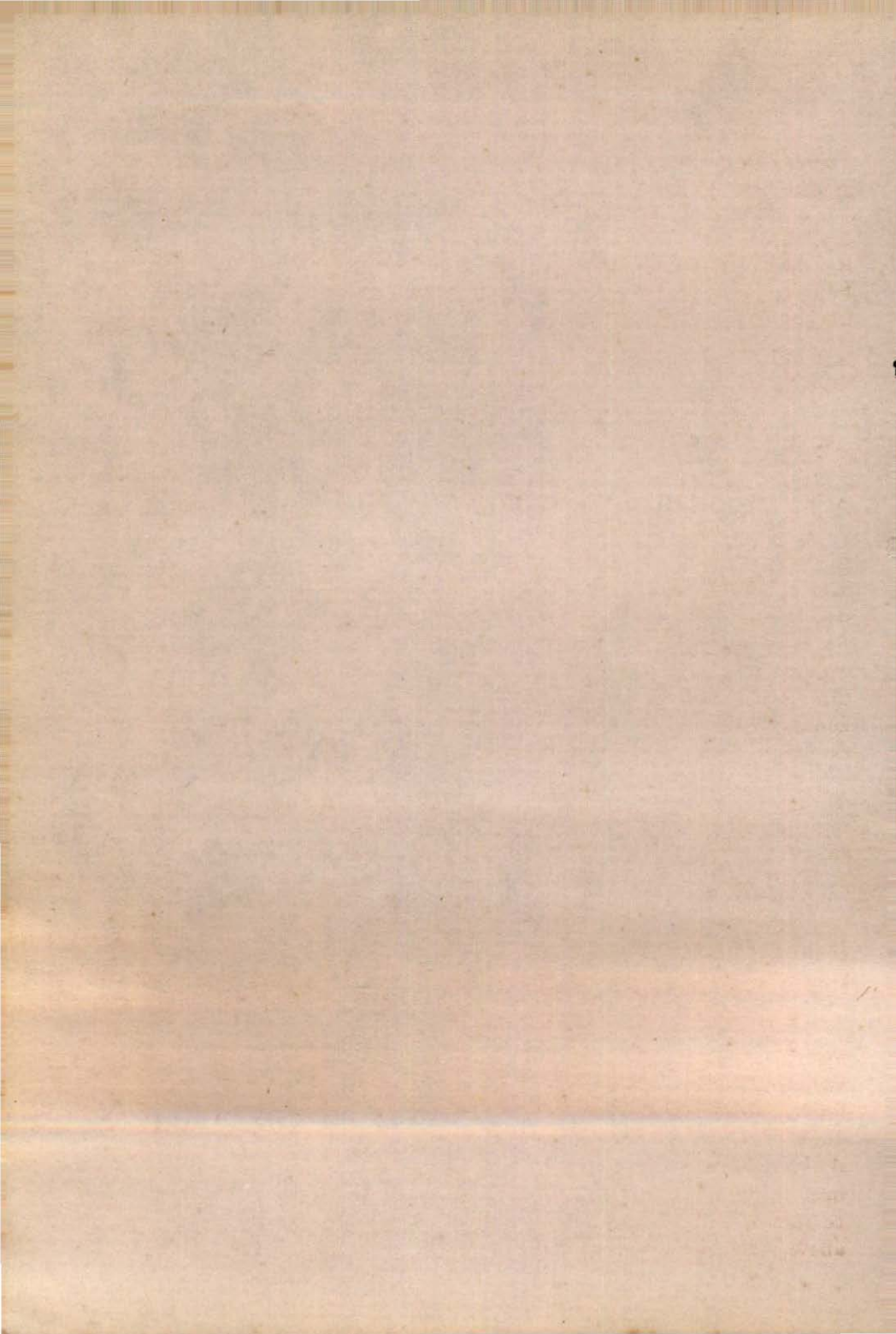
According to the agreement, the firm was to deliver 3,000 tonnes of rice during October 1983, 5,000 tonnes during the first fortnight of November 1983 and the balance 7,000 tonnes during the second fortnight of November 1983. The firm was also to improve its delivery and try to give at least 5,000 tonnes in October 1983 and the agreement further stipulated that no extension of time would be permitted. However, as on 31st October 1983 the Corporation had received railway receipts from the firm for only 1,162 tonnes. It was noted by the Corporation on 1st November 1983 that there was all round evidence of a fall in price in the North Indian markets. The Corporation was advised by its Legal Adviser on 3rd November 1983 that the firm had committed a breach of contract which amounted to repudiation of the contract by it. The Legal Adviser reiterated his advice on 8th November 1983 and pointed out that the Corporation had no liability to accept the remaining quantities of rice under the contract and they could inform the firm accordingly, reserving their right to claim damages against the firm for breach of contract. The Legal Adviser also gave the draft of the letter to be sent to the firm.

A background note prepared for discussion with the representatives of the firm brought out that the landed cost of Andhra rice was only Rs. 328

per quintal compared to Rs. 363.25 in the case of 13, 838 tonnes of Punjab rice yet to be supplied by the New Delhi firm and Rs. 347 in the case of 10,500 tonnes of Punjab rice to be supplied by three other firms on whom orders had been subsequently placed and who had made no supplies till then. The extra cost worked out to Rs. 48,77,895 in the case of the New Delhi firm and Rs. 19,95,000 in the case of the other three firms. It was, therefore, suggested *inter alia*, that the contracts with all the parties be cancelled and the price renegotiated at Rs. 293 a quintal which would be the corresponding rate for supply *f.o.r.* Punjab taking Rs. 310 as the base price *f.o.r.* Andhra Pradesh.

During discussions on 9th November 1983, the firm's representatives admitted shortfall in delivery but alleged non-provision of sufficient manpower at the inspection points by the inspection agency appointed by the Corporation, non-availability of inspectors at Karnal and Delhi, the unwillingness of the inspectors to go to places like Tarn Taran and Amritsar in view of the law and order situation, strike by local loading workers in Kapurthala area and also slow movement of empty wagons due to a rail accident. The Legal Adviser felt that if all the points made by the firm could be established, it would amount to the existence of *force majeure* condition and a lenient judicial view in the matter could not be ruled out. The Corporation, however, without verifying the statements made by the firm, executed a supplemental agreement on the same date as the date of discussion, viz., 9th November 1983, for supply of 8,000 tonnes on or before 22nd November 1983 and the balance quantity on or before 7th December 1983 and provided for a revised price of Rs. 326 per quintal for 7,500 tonnes and Rs. 315 per quintal for the balance quantity. Payments aggregating Rs. 4.84 crores were made for a total quantity of 15,116.778 tonnes upto December 1983. Compared with the rate of Rs. 290 per quintal which was the average wholesale rate in Punjab for the week ending 11th November 1983, an excess payment of Rs. 46,04,165 was made to this firm.

According to a note recorded by the Managing Director of the Corporation on 22nd November 1983, the inspecting agency disputed the statement of the New Delhi firm that they had failed to deploy persons for inspections. The New Delhi firm asked for men only with effect from 17th October 1983 and the inspection work began 'from 18th October and without break it went on'. This disproved the main reason given by the New Delhi firm for its failure to adhere to the terms of the earlier contract.



There was therefore no justification whatsoever for buying rice from this firm at exorbitant prices.

While agreeing to the purchases from this firm, the corporation decided to cancel the contracts with the other parties who had agreed to supply Punjab rice at Rs. 310 a quintal but had till then made no supplies. The Corporation was, however, legally advised as follows:

“...as a Government Company engaged in public distribution of essential commodities, you may be treated as an instrumentality of the Government. Being so, you are bound to adhere to the principles of equality clause under Article 14 of the Constitution. If you grant extension to one party and deny it to another who is similarly situated it amounts to discrimination”.

The Corporation was, therefore, constrained to purchase another 4,34,247 quintals of Punjab rice in spite of the falling market trend. This decision involved a further loss of Rs. 1.64 crores (4,34,247 quintals at Rs. 365.80 average cost minus Rs. 328 per quintal of Andhra rice). When making these purchases the Corporation paid Rs. 310 per quintal to two firms who had offered to supply at Rs. 305/309 per quintal. From another firm's quotation the Corporation was also aware that the prevailing ex-godown price of rice in Punjab was only Rs. 285 per quintal.

Apart from these purchases of 58,541.7 tonnes of Punjab rice, during this period the Corporation also placed orders for another 80,621 tonnes of rice from other places. The deal with the New Delhi firm for purchase of 15,000 tonnes of Punjab rice alone has been scrutinised in depth in audit.

All these purchases contributed to the accumulation of large quantities of rice, its deterioration in quality, compulsion to sell at increasing losses to keep with falling market trends and incurring of large carrying costs.

According to the Corporation's Regional Manager at Cochin, there was difficulty in selling the Punjab rice, due to consumer resistance. The Corporation was holding a stock of 85,000 tonnes in June 1984. (Of this, the quantity of Punjab rice in stock was not separately available). In June 1984, the Corporation realised that in view of the falling market trend, it was impossible to sell this rice at Rs. 350 a quintal and in view of the inferior storage conditions and the fast approaching monsoon, there would be further deterioration in its quality. They also felt that apart from the above, the inventory carrying cost would result in heavy loss to the

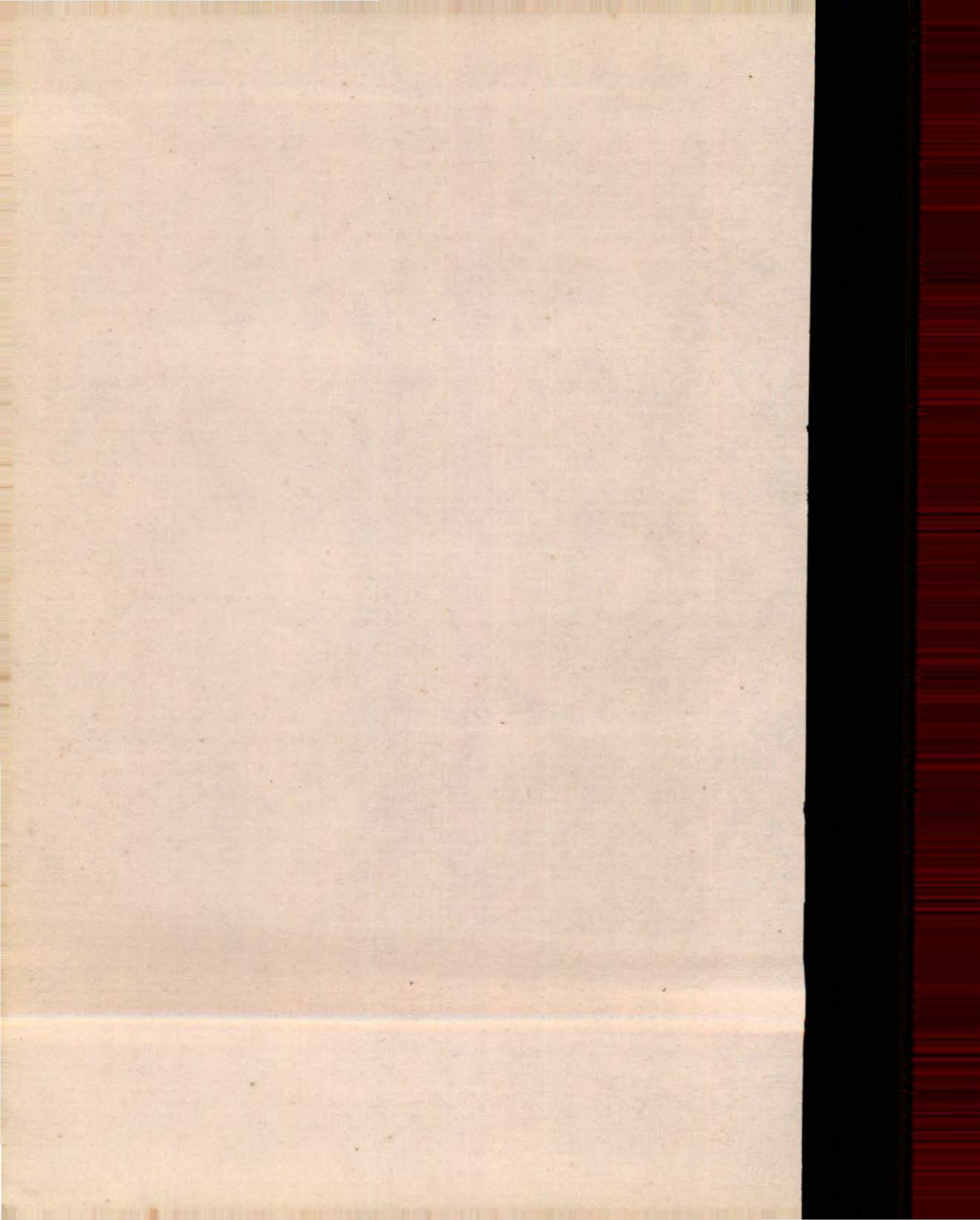
Corporation and 18 *per cent* interest for commercial food credit of Rs. 29.75 crores (value of 85,000 tonnes at the rate of Rs. 350 a quintal of selling price) would be Rs. 44.63 lakhs per month and storage charge at the rate of Re. 1 per quintal per month would be Rs. 8.50 lakhs per month resulting in a direct loss of Rs. 53.13 lakhs per month for holding the stock of 85,000 tonnes of rice. The loss on account of inventory holding for six months was calculated at Rs. 3.19 crores. In addition to this loss, the Corporation incurred a minimum direct loss of Rs. 2.60 crores as inventory carrying cost for the average stock of 59,436 tonnes (85,000 tonnes in June 1984 and 33,871.4 tonnes at the end of January 1985) for the period from July 1984 to January 1985 (inclusive).

A series of price reductions were, therefore, made and in November 1984, the selling price was fixed at Rs. 270 per quintal. The loss incurred in the disposal of stock up to the end of January 1985 at various reduced rates could not be determined as necessary information was not readily available with the Corporation. Despite all these price reductions, 33,871.4 tonnes of rice remained undisposed as on 31st January 1985. Sale of this stock at the reduced price of Rs. 270 per quintal as against the sale price of Rs. 350 originally fixed involved a further loss of Rs. 2.70 crores.

Four thousand seven hundred tonnes of rice costing Rs. 1.58 crores were reported (January 1985) to have deteriorated in quality. Sale of this rice could also result in further loss to the Corporation.

3.1.16. *Price support scheme for paddy*

In September 1980, Government accorded sanction for implementing a price support scheme for paddy from Virippu crop of 1980 in Palghat District. Under the scheme, the department paid Rs. 4,19.73 lakhs to the District Co-operative Bank for disbursement to societies which were to purchase paddy, convert it into rice and deliver the rice to the Corporation. The DSOs/TSOs were to supervise the operations. The societies procured 2.98 lakh quintals of paddy utilising Rs. 4,19.59 lakhs. Against 1.99 lakh quintals of rice to be supplied by the societies to the Corporation, the actual quantity supplied by them was only 1.71 lakh quintals. Towards the cost of the balance quantity of rice, the District Co-operative Bank remitted to the department Rs. 41.06 lakhs till May 1983. In February 1985, Government instructed the Bank to remit the market value of rice short-supplied with interest at 12 *per cent per annum* for the period of default. The balance amount due to Government



(market price of 28,652 quintals of rice with interest less remittance) in terms of the order had neither been worked out nor had any action been taken to recover the amount.

In December 1981 the Corporation reported to Government that rice offered by the Societies did not conform to the specifications and that out of 1,700 tonnes offered by 75 societies in April 1981, only 54 tonnes were of acceptable quality. This would show that the TSOs/DSOs had not conducted necessary checks to ensure the quality of rice.

For the 1,70,728 quintals of rice lifted by the Corporation the amount due from it to Government at Rs. 205 per quintal, worked out to Rs. 349.99 lakhs. Out of this, only Rs. 3,30.05 lakhs were remitted to Government by the Corporation and the balance of Rs. 19.94 lakhs was outstanding (November 1985).

3.1.17. *Delay in distribution of levy sugar*

When sugar was brought under PDS in December 1979, the responsibility for lifting, transportation and distribution of levy sugar allotted to the State was entrusted to the Corporation. On a test-check of levy sugar operations of the Corporation for the period from January 1983 to September 1984, it was found that there were delays ranging from 17 to 94 days in completing the lifting and transportation of levy sugar.

For lifting the quota of levy sugar for April 1984 from 2 mills, the cos was remitted by the Corporation only on 22nd May 1984 and as a result, there was delay in the release of sugar by the mills and ration sugar for April 1984 could be distributed to card holders in Kozhikode and Quilandy Taluks only long after it was due.

3.1.18. *Sale of non-levy sugar at rates higher than market price*

On several occasions during 1982-84, the price at which non-levy sugar was sold by the Corporation was higher than the average open market retail price of sugar in the State during the same period as reported by

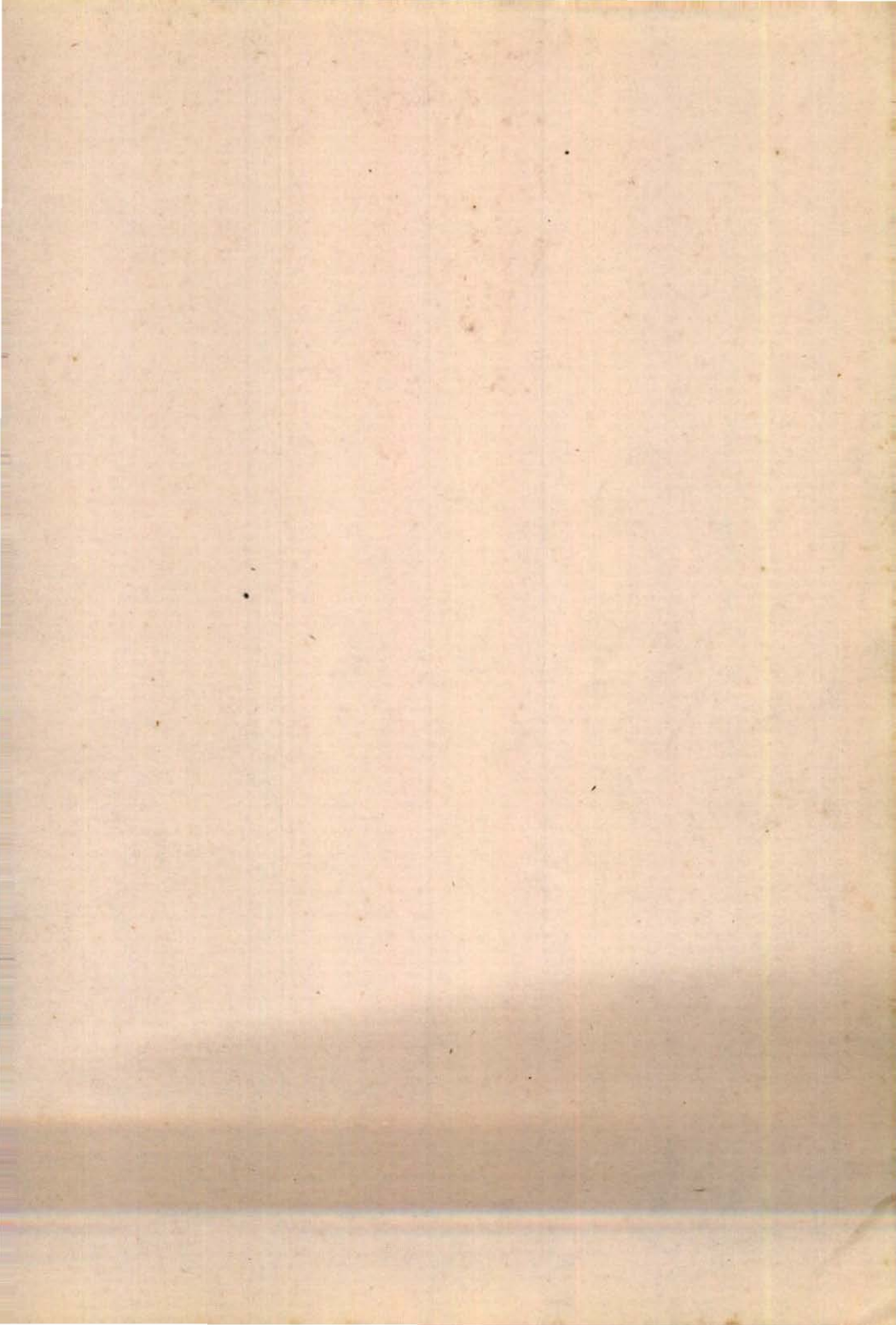
the Bureau of Economics and Statistics, as illustrated in the following table:—

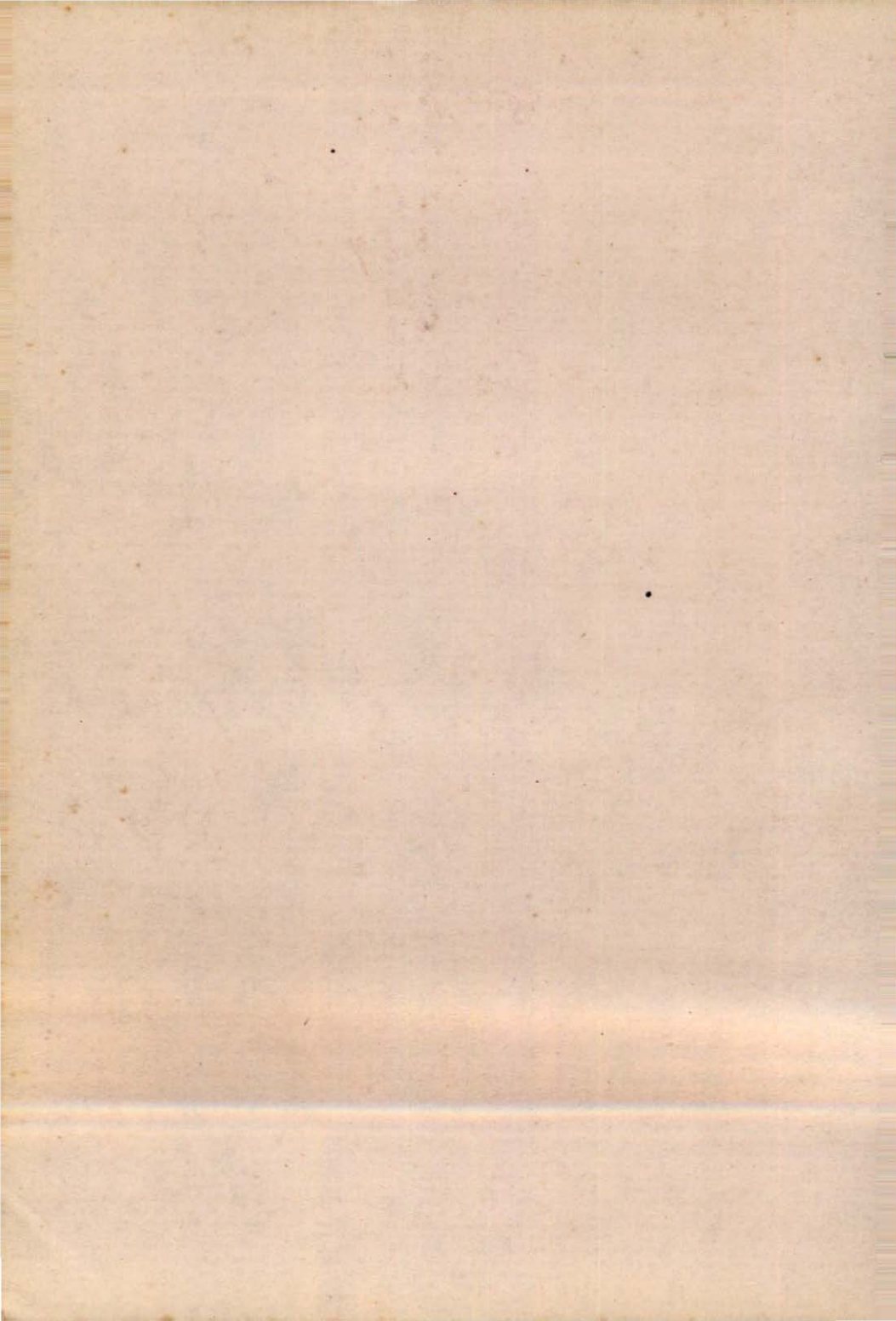
<i>Month</i>	<i>Average retail price of sugar per kg. in the open market</i>	<i>Retail price of sugar per kg. sold by the Corporation</i>
	<i>(in rupees)</i>	
August 1982	4.79	5.60 upto 3rd; 5.40 from 4th to 11th and 5 from 12th to 31st
September 1982	4.49	5.00 1st to 14th
October 1982	4.31	4.50
November 1982	4.34	4.50
December 1982	4.28	4.50
September 1983	4.60	4.90
October 1983	4.53	4.90
June 1984	5.44	5.70
July 1984	5.52	5.70
August 1984	5.38	5.70 upto 30th and 5.50 on 31st
September 1984	5.06	5.50

The Corporation stated (October 1985) that as it could hold over the stock to intervene in periods of scarcity, it had not reacted when the prices in the open market had fallen steeply.

3.1.19. Price support scheme for tapioca

Under a price support scheme for tapioca sanctioned by Government in January 1981, the department paid Rs. 14.09 lakhs to the Corporation for purchasing tapioca. Out of 13,431 quintals purchased with this money,





the Corporation sold 1,909 quintals for Rs. 1.82 lakhs and distributed 10,035 quintals to flood victims as directed by Revenue department. The balance (1,487 quintals) was reported by the Corporation as storage loss. Cost of the tapioca sold had not been remitted to Government by the Corporation yet. The Corporation stated (October 1985) that it would be paid on receipt of subsidy due to it from Government for sale of rice during 1983-84.

3.1.20. Shortages

The value of commodities like cement and sugar found short on verification amounted to Rs. 10.70 lakhs (cement: Rs. 0.19 lakh; sugar Rs. 10.51 lakhs) as at the end of 1980-81. In addition, there were also shortages of vegetables, pulses, etc., and their value was fixed at Rs. 61.35 lakhs. Reasons for the shortage and action taken to make good the loss are awaited from the Corporation. A sum of Rs. 15.99 lakhs being value of damaged/inferior commodities in stock at the end of March 1981 had been written off in the accounts of the Corporation for the year 1980-81.

Summing up

There was shortfall in lifting foodgrains out of allotment made by Government of India; such shortfall varied from 1 to 48 *per cent* during the period 1980-81 to 1983-84.

Failure to link wholesale depots in 5 taluks to nearer FCI depots resulted in excess transport charges and consequent inflation in price. The resultant price increase on quantities supplied during the period from April 1980 to November 1984, amounted to Rs. 23.28 lakhs. Similar non-linking of six wholesale depots in 2 taluks to nearer FCI depots resulted in overcharging consumers by Rs. 2.94 lakhs during the period from August 1984 to December 1984.

Incorrect fixation of price of kerosene resulted in overcharging the consumers by Rs. 3.65 lakhs during the period April 1983-December 1984.

Departmental verification of accounts of retail dealers in 2 taluks for the period January to August 1983, revealed excess collection of Rs. 0.15 lakh from consumers and misappropriation of ration articles worth Rs. 0.53 lakh by ration dealers.

Price fixed by the Corporation for edible oils sold from January 1984 to January 1985 was excessive by Rs. 9.02 crores on account of inclusion of wholesale margin (Rs. 1.70 crores) which was not justified and charging of higher prices (Rs. 7.32 crores) than warranted by cost.

Incorrect inclusion of cess in the price structure of cement sold by the Corporation during May 1983 to July 1983 had resulted in overcharging the consumers by Rs. 52.62 lakhs.

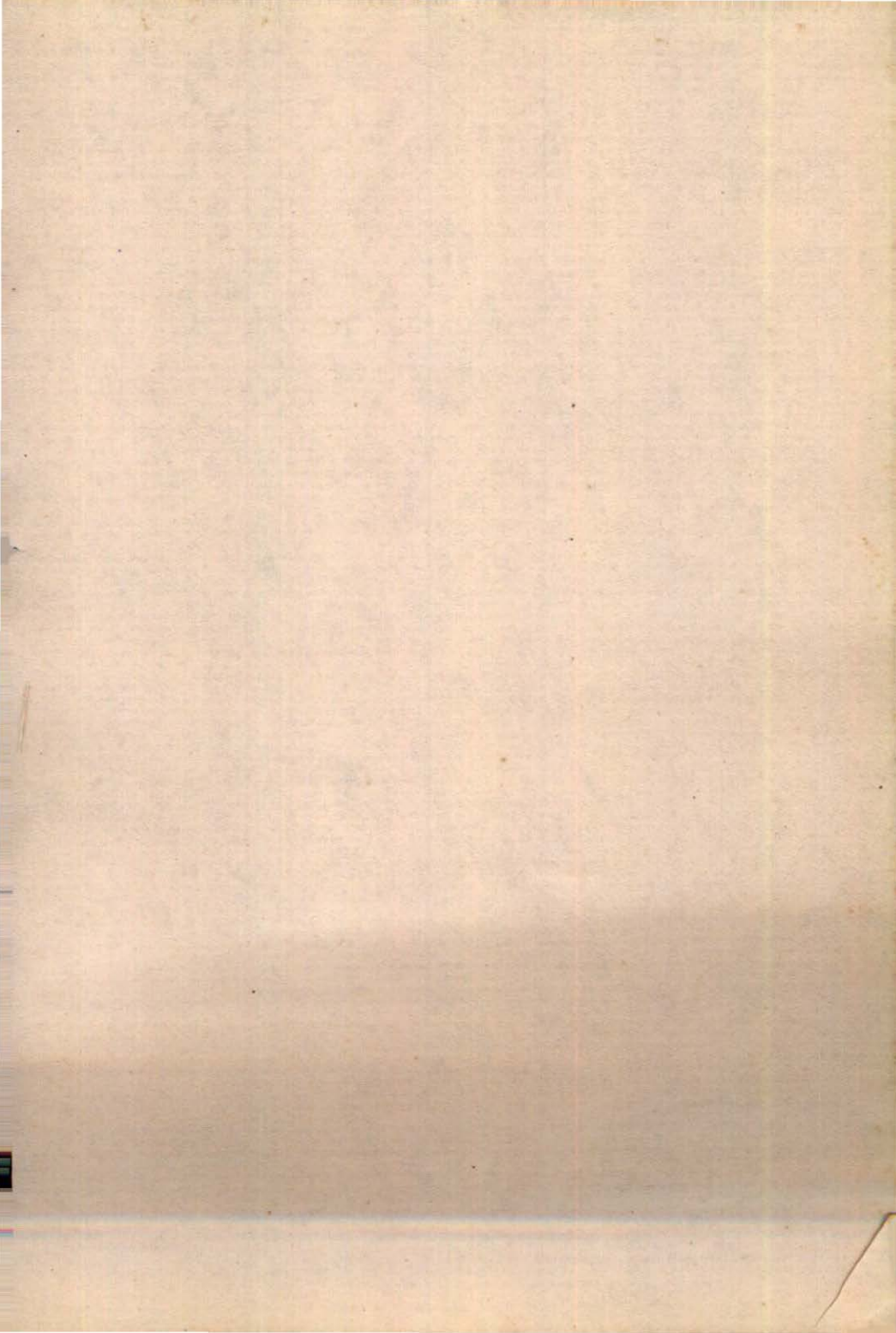
Purchases of 15,000 tonnes of rice by the Corporation at higher cost during 1983 when cheaper offers were available and the market prices were falling, resulted in an extra expenditure of Rs. 46 lakhs. Consequent to this purchase quantities offered by other suppliers had also to be purchased. Excessive purchases thus resulted in accumulation of huge stocks of rice, which the Corporation could not sell despite substantial price reductions to keep with the falling market prices. The loss on this account works out to Rs. 2.70 crores. At the end of January 1985, the Corporation had an accumulated stock of 33,871 tonnes costing Rs. 11.4 crores, of which 4,711 tonnes (cost: Rs. 1.58 crores) had deteriorated in quality. The minimum direct loss on account of inventory carrying cost was Rs. 5.79 crores. Sale of rice which has deteriorated in quality would also result in further loss.

Though Rs. 4,19.73 lakhs were advanced to District Co-operative Bank, Palghat under price support scheme for purchase of paddy, the accounts thereof have not been finalised yet.

AGRICULTURE DEPARTMENT

3.2. Soil Conservation Research Station, Konni

The Soil Conservation Research Station at Konni was established in December 1958 with the object of conducting research on different aspects of soil conservation. In August 1961, Government sanctioned a research and training scheme for the station to (i) study the cause of soil erosion, (ii) evolve measures to control soil erosion, (iii) train Grama Sevaks and field staff in soil conservation and (iv) standardise the execution of soil conservation works. An area of 115.97 acres (46.931 hectares) was made available to the station—30 acres in 1958 and the remaining area of 85.97 acres by 1966-67. An office building and laboratory were constructed in October 1963 at a cost of Rs. 0.46 lakh. A hostel building for the trainees was also completed in August 1965 at Rs. 0.54 lakh. Furniture and equipment worth Rs. 0.66 lakh were procured by the station between 1959-60 and





1968-69. On an audit review of the Research Station conducted in October 1984, the following points were noticed:—

The scheme was eligible for *cent per cent* Central assistance during the Third Five Year Plan period. The training component of the scheme was to be started during 1963-64 and the station was to train 80 persons annually. However, no training programme was started at all. Government stated (September 1985) that as Central assistance for the scheme was confined to the Third Plan period, it was decided not to start the training programme considering the burden of expenditure that it would have entailed.

Research activities were started in the station only in 1967, i.e., 9 years after its establishment. Upto November 1979, only 4 experiments—one engineering and 3 agronomical—were conducted. A team of scientists of the Agricultural College, Vellayani visited the station in November 1979. On their advice the results of the two agronomical experiments were published and the third experiment was discontinued. The team advised continuance of the engineering experiment, but it was not continued after 1979 owing to paucity of funds. On the basis of a detailed study of the suitability of the soil and availability of infrastructural facilities at the station, the team also suggested a variety of new experiments. In order to carry out these experiments, the Director of Agriculture accorded sanction in November 1980 for laying out 200 experimental plots at an estimated cost of Rs. 3.97 lakhs. However, no follow up action was taken. In January 1982, detailed estimate for laying out 42 experimental plots at an estimated cost of Rs. 1.021 lakhs was sanctioned by the Director. Only 24 plots have been completed so far (September 1985). No agronomical experiments have been conducted in the station since 1979-80. Government stated (September 1985) that the remaining 18 plots would be completed at the earliest so as to commence agronomical experiments during 1985-86.

Out of the 46.931 hectares made available to the station, 10.714 hectares are steep slopes with rocks. Of the balance, 8.058 hectares are lying fallow and 19.95 hectares are under various crops. The remaining area of 8.209 hectares has been utilised for buildings, farm roads, experimental plots, etc.

The farm has cultivated coconut in 7.41 hectares, cashew in 9.36 hectares and areca, cloves, jack trees, mango trees, pepper, banana, etc., in the remaining area of 3.18 hectares. No crop-wise accounts of agricultural operations were maintained and their financial results were therefore not ascertainable. Government stated (September 1985) that the station being a research centre,

crop-wise accounts were not maintained. Expenditure of the station on pay and allowances, wages, etc., during 1979-80 to 1983-84 when no research activities were carried out, amounted to Rs. 31.17 lakhs, while the income from agricultural operations during the same period was only Rs. 1.67 lakhs. The station sustained a loss of Rs. 0.23 lakh on tapioca cultivation in 1981 and it was discontinued thereafter. Twenty-seven labourers rendered surplus as a result, were retained by the station although no fresh agricultural operations were undertaken in the place of tapioca cultivation. The annual expenditure on wages of these surplus labourers amounted to Rs. 2.20 lakhs approximately. The total expenditure on the surplus labourers during the period October 1981 to September 1985 worked out to Rs. 8.80 lakhs. Government stated (September 1985) that as the labourers were permanent, they had to be retained in the station.

3.3. National Project on Biogas Development

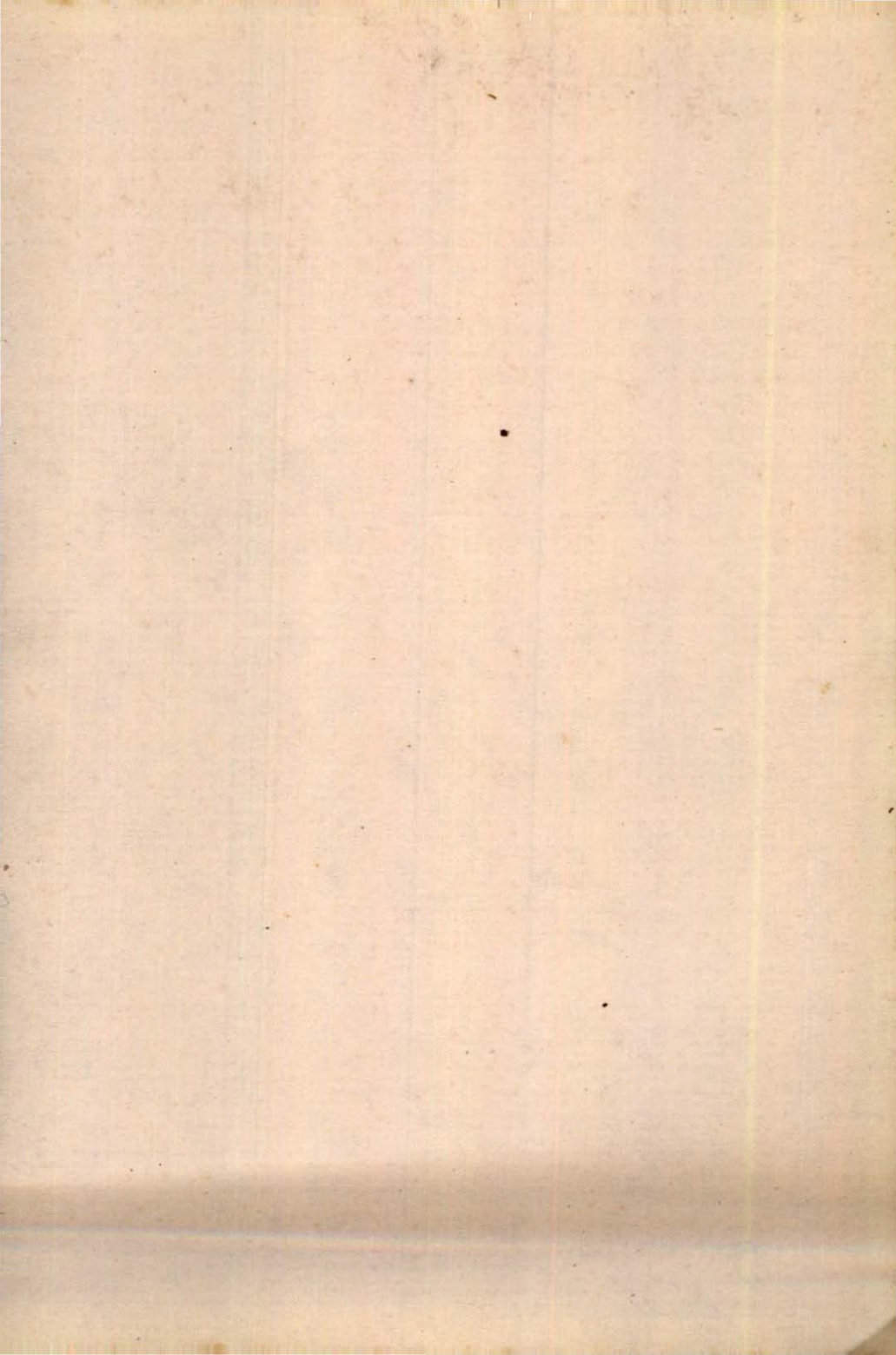
3.3.01. *Introductory*

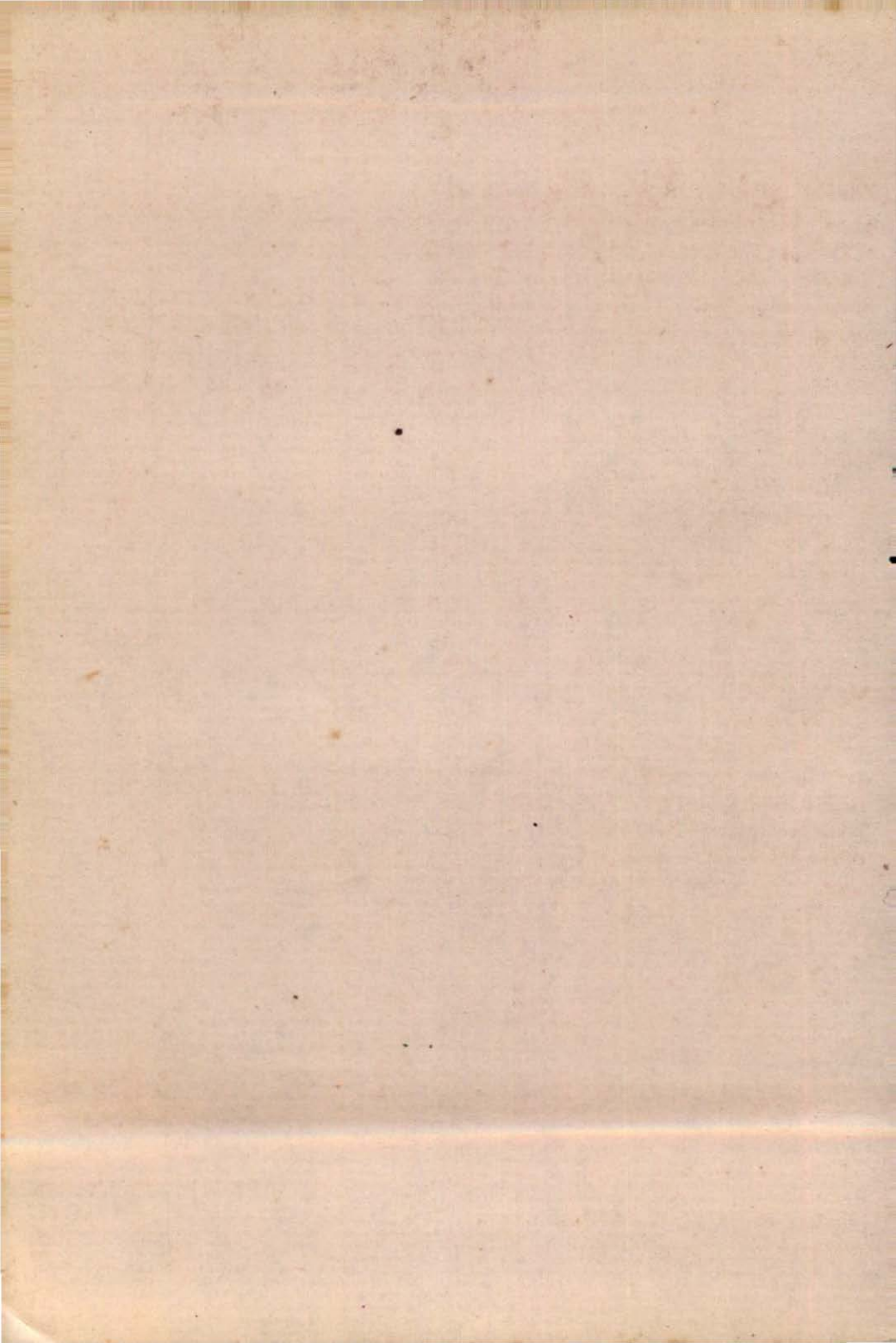
Biogas (Methane), used as fuel for cooking, lighting, etc., is produced by conversion of fermentable organic matter (mostly cowdung). The residual slurry is a fully matured organic manure. Under the Sixth Plan, a national project on biogas development was launched by the Government of India in November 1981. The scheme was sanctioned by the State Government in February 1983 and was implemented in the State from October 1983. The main objectives of the scheme are to (i) provide energy in a clean unpolluting form, (ii) make available enriched fertiliser as a by-product, (iii) reduce pressure on the dwindling fuelwood supplies, entailing check on indiscriminate felling of trees and consequent deforestation, (iv) assist rural women through elimination of smoke filled cooking methods, and (v) bring improvement in rural sanitation.

The implementing agencies in the State are Agriculture Department, which is the nodal department for the scheme, Dairy Development Department, State unit of the Khadi and Village Industries Commission and the State Khadi and Village Industries Board (KKVIB).

3.3.02. *Pattern of Assistance*

Central assistance admissible for the programme includes various elements like (i) subsidy on a graded scale for different sizes of biogas units, (ii) *cent per cent* grant-in-aid to State Government for core organisational support at headquarters and in selected districts, and service charges at 2.5 *per cent* of the





cost of construction of biogas plants in other districts, (iii) cost of setting up repair units, (iv) turnkey job fee for setting up plants and (v) promotional expenditure on training, incentives to village functionaries, etc. Till 1983-84, 75 per cent of the annual targeted expenditure was released by the Government of India as advance grant, which was reduced to 50 per cent from 1984-85. Release of further Central assistance was linked to progress reports from the State Government showing the expenditure incurred and the anticipated annual requirement of funds for the biogas units to be constructed/completed.

3.3.03. *Scope of Audit*

On a review of the scheme conducted during January-March 1985 with reference to the records in the Biogas Cell attached to the Directorate of Agriculture and 4 Principal Agricultural Offices at Trivandrum, Kottayam, Ernakulam and Palghat, the following points were noticed:—

3.3.04. *Financial/Physical Performance*

(a) *Financial*

Though the Government of India released a grant of Rs. 0.70 lakh in March 1982 and a further subsidy of Rs. 1.99 lakhs in May-June 1982, the staff required for implementation of the scheme was sanctioned by Government in February 1983 and was in position only by October 1983. Consequently, the State Government did not incur any expenditure on the scheme during 1981-82 and 1982-83 and the entire advance Central subsidy of Rs. 2.69 lakhs received during the 2 years remained unutilised at the end of March 1983. The provision made in the State budget and the expenditure (as per accounts) during the subsequent two years (1983-84 and 1984-85) are indicated in the following table:—

Year	Provision		Expenditure
	Original	Revised	
	(Rupees in lakhs)		
1983-84	65.00	11.90	9.50
1984-85	1,33.50	84.05	78.50

Reduction of budget provision was reportedly due to downward revision of physical targets by Government of India.

(b) *Physical*

In November 1981, Government of India fixed a target of 30,000 biogas units for the State during the Sixth Plan period (1980-85). Based on this, the State Government accorded sanction in February 1983 for setting up 30,000 biogas plants (Agriculture Department: 21,000; KKVIB: 6,000; Dairy Development Department: 3,000) during the Sixth Plan at a total cost of Rs. 6,38.58 lakhs. However, the target for the State for all agencies taken together was later reduced to 7,500 (1982-83: 2,500; 1983-84: 1,000; 1984-85: 4,000). The year-wise targets fixed for the Agriculture Department and achievements thereagainst were as follows:—

<i>Year</i>	<i>Target</i>	<i>Achievement</i>
1982-83	2,500	..
1983-84	500	517
1984-85	2,500	2,757

The scheme was not implemented by the Dairy Development Department. There was no achievement during 1982-83 due to non-implementation of the scheme during that year.

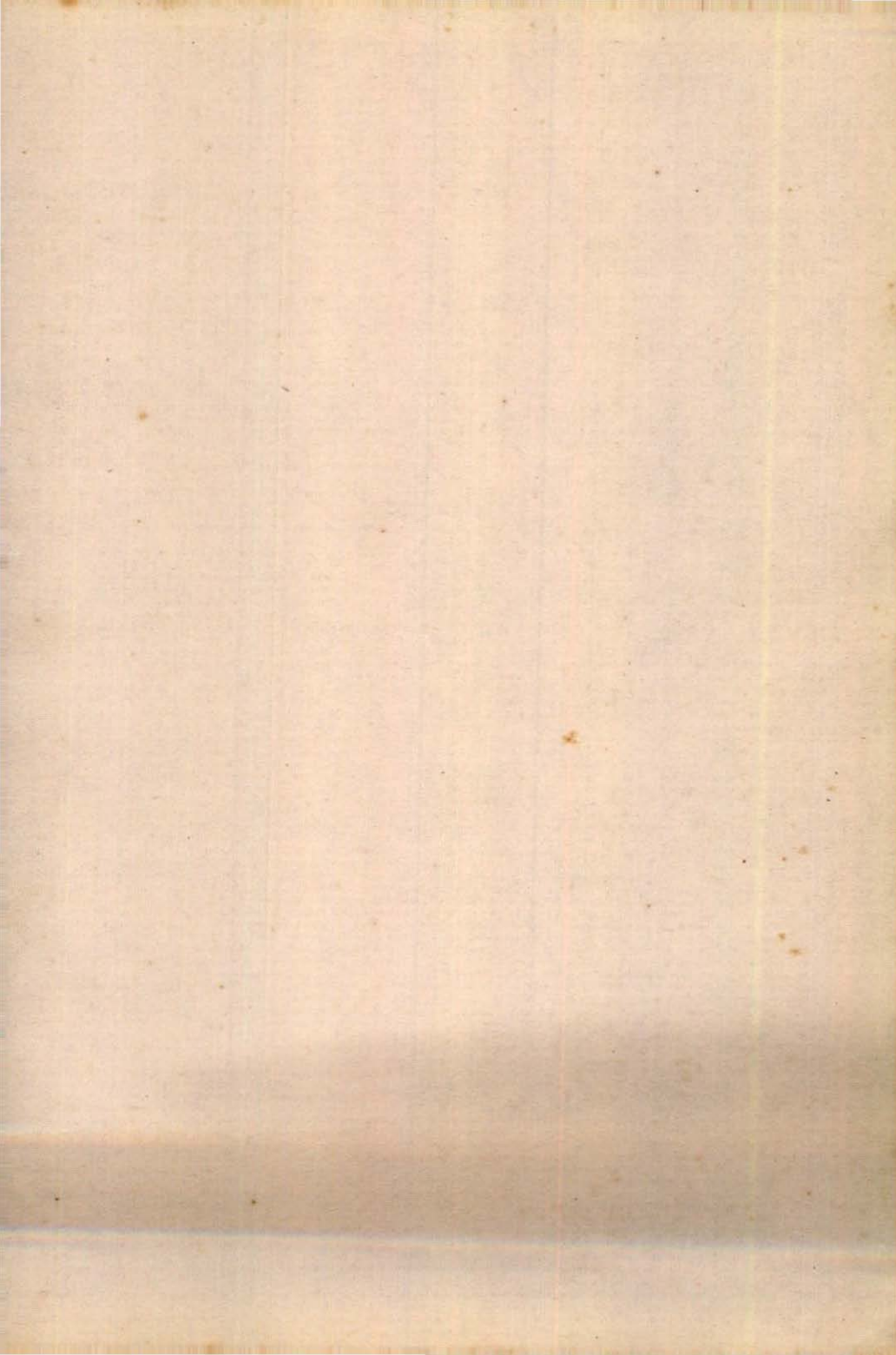
3.3.05. *Staffing pattern*

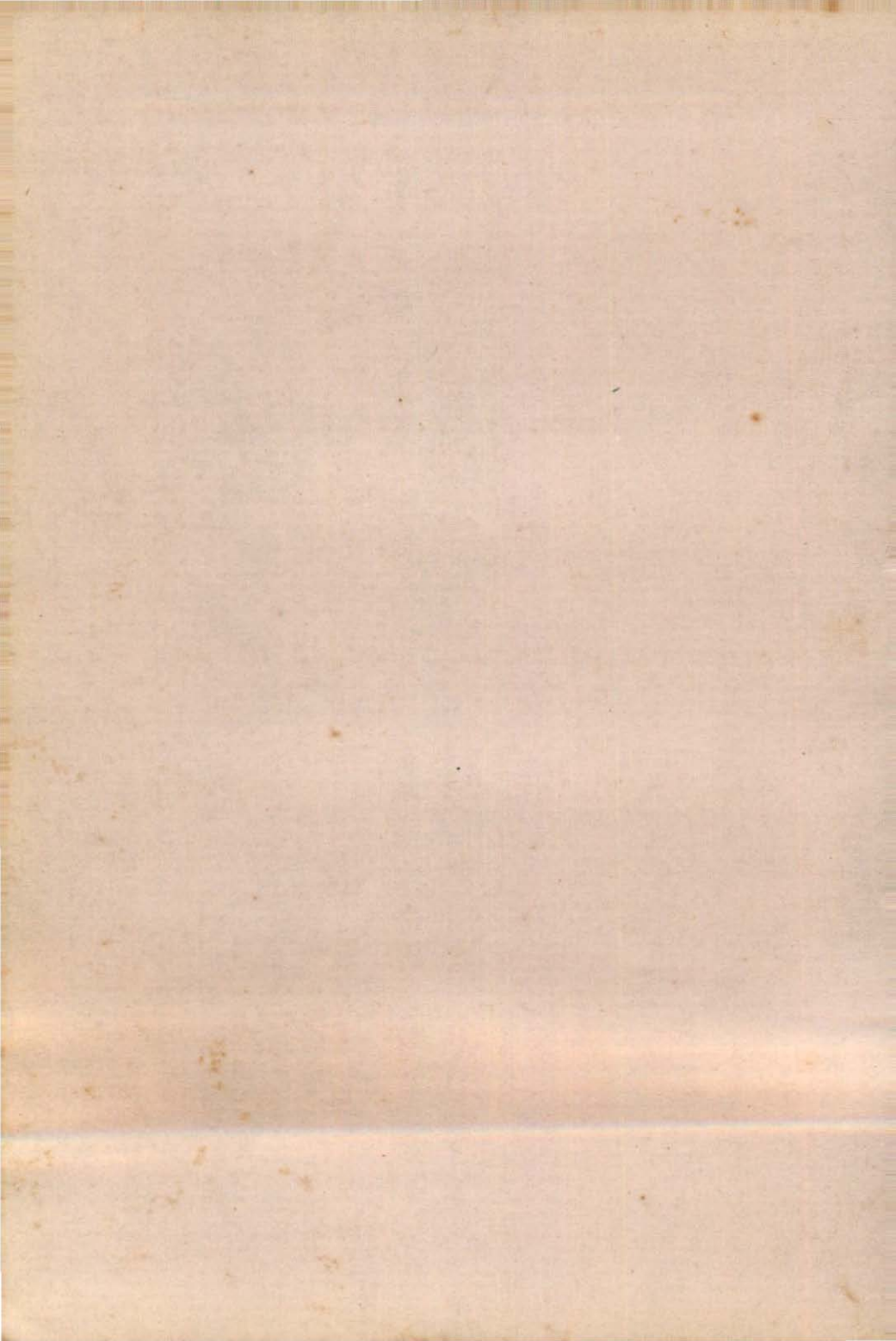
In February 1983, the State Government sanctioned the creation of 5 posts including one post each of Additional Director of Agriculture and Assistant Director of Agriculture, adopting the staff pattern suggested by the Government of India for States with a target of 10,000 or more biogas plants.

The staff pattern prescribed by Government of India for States with target of less than 10,000 units was one post each of Senior Agricultural Officer and one Upper Division Clerk. Since the revised target for the State was less than 10,000, Central assistance was admissible only for 2 posts as against 5 posts created. The financial commitment on engagement of staff in excess amounted to Rs. 1.13 lakhs during 1983-84 and 1984-85.

3.3.06. *Construction material*

Government of India made quarterly allotment of raw materials (cement and steel) for the speedy execution of the scheme. The Kerala State Civil Supplies Corporation Limited was entrusted with the task of taking delivery of the cement allotted and supplying it to the beneficiaries on the basis of permits issued by the nodal department. As the Corporation kept only a consolidated account of all cement received by it and no separate account of





cement intended for biogas scheme and did not furnish stock statements periodically to the nodal department, it could not be ensured that the whole of the cement procured for biogas scheme was actually utilised for it and not diverted for other purposes.

3.3.07. *Training*

The guidelines issued by the Government of India envisaged training of village masons and technicians in the construction and maintenance of biogas plants and training of women to enlighten them on the efficiency of biogas. Fifty-five training courses were organised for the village masons and technicians during 1983-85. The training programme was to be completed by November each year so as to engage the trained masons in actual construction during the rest of the financial year. However, the training was actually completed only during the last quarter of the financial year with the result that the services of masons trained could not be utilised for constructing plants targeted for the year. There was also no record to show that trained masons were being associated with actual construction works. Further, though the guidelines provided for appointment of trained masons for turnkey jobs of construction and maintenance of biogas plants, no such appointment had been made so far. Government stated (November 1985) that efforts were being made to approve the trained masons as private voluntary agencies for undertaking turnkey jobs.

The Agriculture Department organised 169 users' training courses for women during the years 1983-85. It was envisaged that about 50 applications for construction of new plants would be got prepared in each course. Though there were reportedly 50 participants in each course, there was no record to indicate the steps taken to procure applications from the participants for new plants or the details of any such plants set up.

3.3.08. *Incentive payment*

Under the guidelines issued by the Government of India, village functionaries (Gramasevaks, teachers, etc.,) who provided support to the programme through motivation, collection of applications from beneficiaries, arranging of loan from banks, etc., which constituted extra work for them were to be given incentive of Rs. 30 per plant. In the State, the incentive was given to Agricultural Demonstrators and Work Superintendents, though these officials were sanctioned exclusively for the scheme. As these officials were expected to promote the scheme as part of their normal work, payment of promotional incentive to them was not justified.

3.3.09. *Non-coverage of SC/ST beneficiaries*

Government of India had stipulated (October 1983) that 10 to 16 percent of the funds should be earmarked for setting up plants for beneficiaries from Scheduled Castes (SC)/Scheduled Tribes (ST). A test-check of records in 4 districts, however, revealed that no attempt had been made to utilise the funds earmarked for setting up plants for SC/ST beneficiaries. Government stated (November 1985) that SC/ST farmers did not readily come forward to participate in the programme because of financial constraints and non-availability of required number of cattleheads with them.

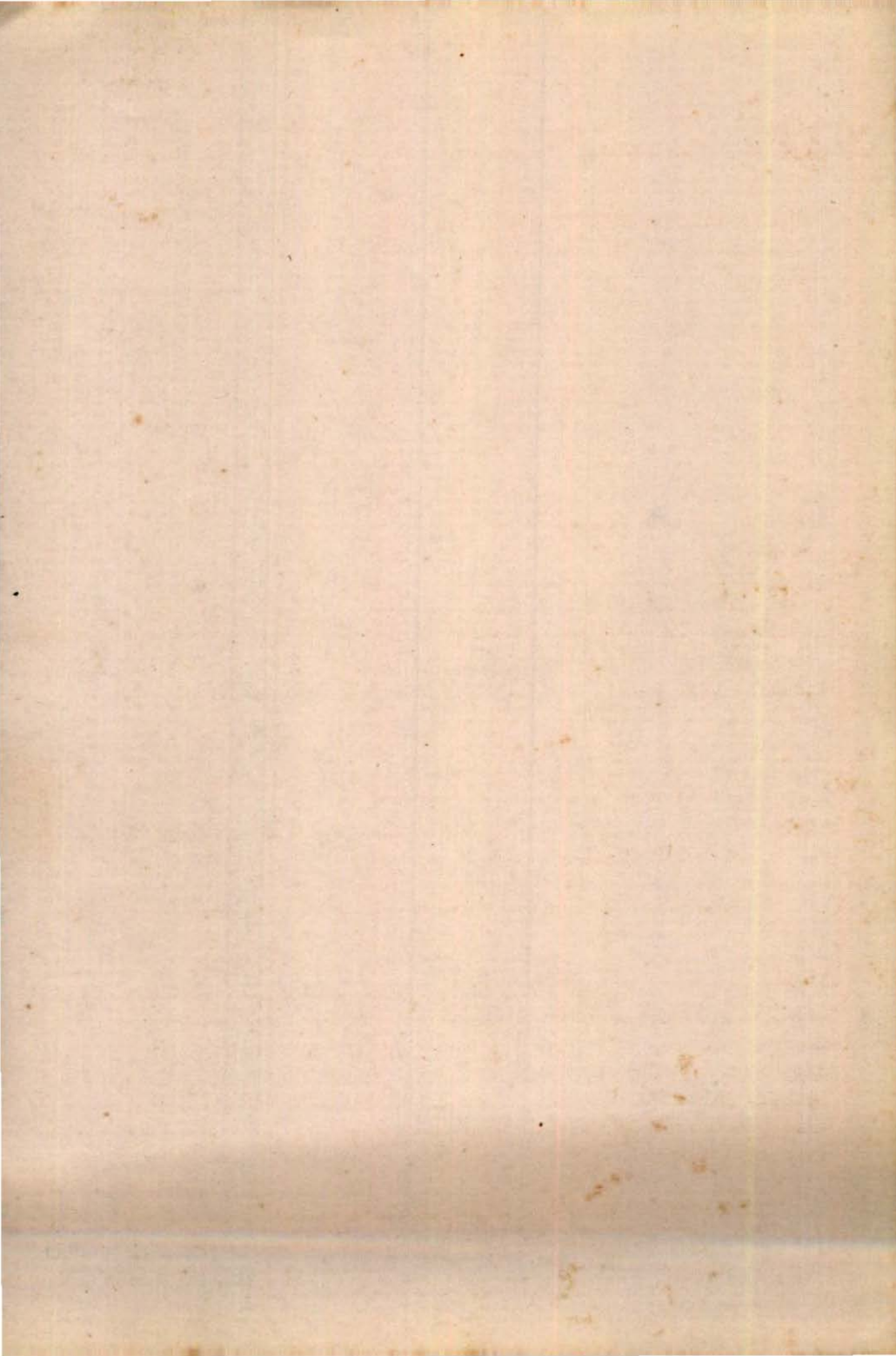
3.3.10. *Maintenance of motor vehicle in excess of prescribed scale*

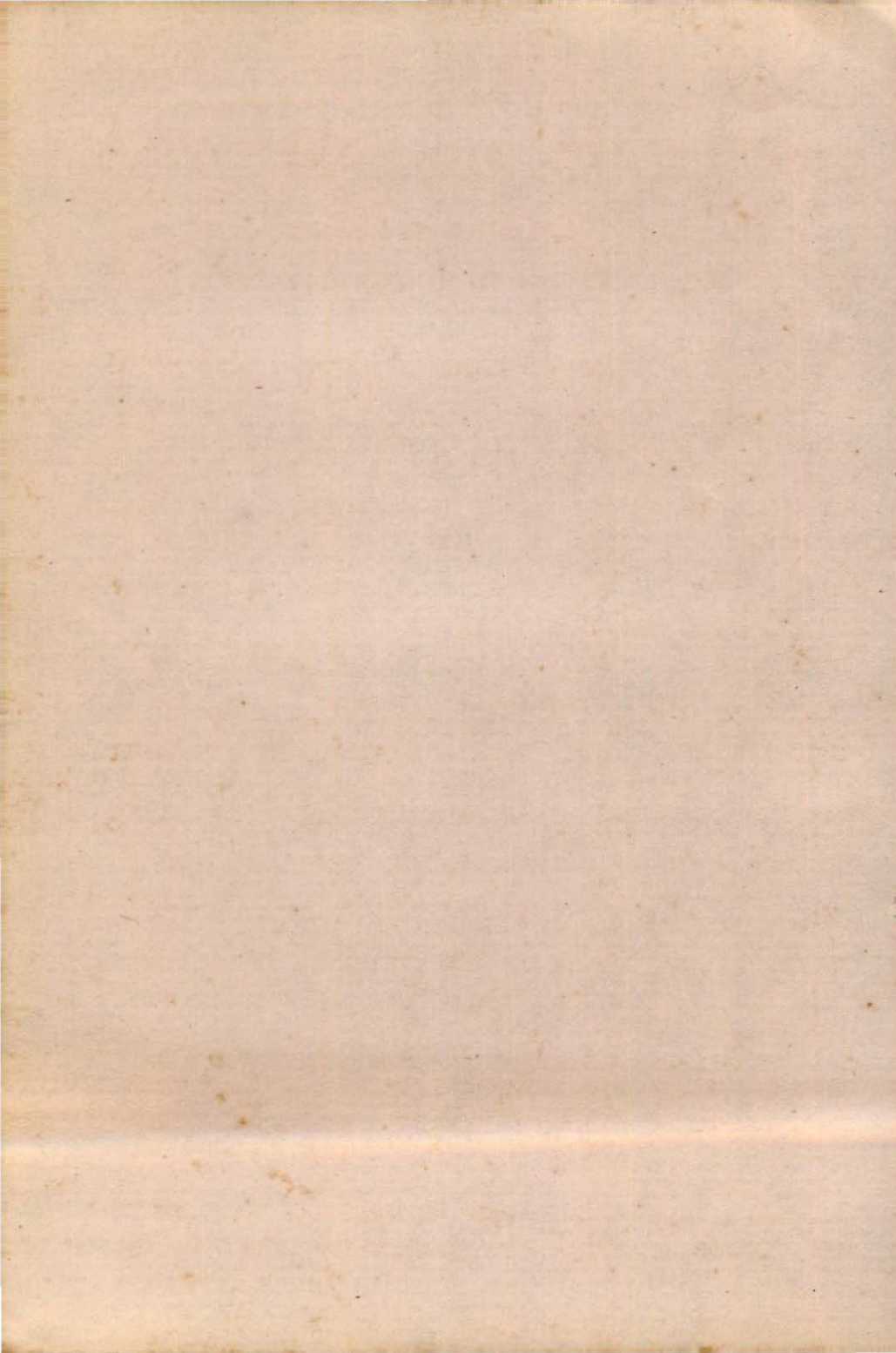
In February 1984, Government of India released grant of Rs. 0.79 lakh for the purchase and maintenance of a diesel jeep for the use of the nodal officer. According to the Government of India, the recurring expenditure including fuel charges for the vehicle was not to exceed Rs. 1,000 per month. The Agriculture Department purchased a jeep in March 1984 for Rs. 0.80 lakh and placed it at the disposal of Joint Director of Agriculture, Trivandrum who was in charge of the programme in Trivandrum District and not the nodal officer. The State Government provided the nodal officer with an Ambassador car. The total expenditure on maintenance of the 2 vehicles from January 1984 to March 1985 was Rs. 0.41 lakh whereas, the amount eligible for reimbursement from the Government of India at Rs. 1,000 *per mensem* was only Rs. 0.15 lakh.

3.3.11. *Non-maintenance of records*

According to the guidelines, registers containing particulars of the beneficiaries, size and mode of biogas plants installed, Central subsidy paid, bank loan sanctioned, mode of construction of plant (i.e., turnkey basis or otherwise), date of completion, etc., were to be maintained at the block, district and State Headquarters of the nodal department. Though such a register was maintained at the level of Agriculture Development Officer, a consolidated register for the district as a whole was not maintained by the Principal Agricultural Officers of 2 districts (Trivandrum and Kottayam) out of 4 districts test-checked and by the Additional Director of Agriculture (Biogas) for the State as a whole.

According to the instructions issued by the Additional Director of Agriculture (Biogas) in July 1983, the Principal Agricultural Officers were to conduct





periodical physical verification of biogas plants constructed under the programme and record their findings in the registers maintained by the Agricultural Development Officers (ADOs). The registers of the ADOs produced to Audit did not, however, show any evidence of physical verification having been done at any time.

3.3.12. *Monitoring*

The scheme envisaged constitution of State-level and District-level committees to assess the progress of the scheme periodically and suggest ways and means to remove bottle-necks. The State-level committee constituted in August 1983, though intended to meet once in 3 months, held only one meeting in September 1983 and did not meet thereafter (November 1985). The Director of Agriculture who was the convener of the State-level committee could not adduce any reason for not convening the meetings. The District committees constituted in October 1983 did not hold any meeting (except in Ernakulam where one meeting was held in July 1984). The reasons for non-convening the meetings of the committees are awaited from the department. Government stated (November 1985) that action would be taken to ensure regular meetings of the State-level and District-level committees.

The area of operation of each implementing agency had not been demarcated. There was also no system to ensure that the activities of different agencies did not overlap and that the same beneficiary did not receive assistance from two different sources for the same biogas plant.

Summing up

The project was implemented in the State only from October 1983 though it was launched by Government of India as early as in November 1981. The physical target for the State during Sixth Plan was reduced to 7,500 biogas units from the original target of 30,000 units.

Expenditure on staff engaged in excess of the scale prescribed by the Government of India amounted to Rs. 1.13 lakhs during 1983-84 and 1984-85.

Details of utilisation of cement allotted by Government of India were not available with the department.

Appointment of trained masons for turnkey jobs of construction and maintenance of biogas plants had not been made so far.

Incentive payments had been made to officials who were expected to promote the scheme as part of their normal work.

No effective steps had been taken to utilise the funds earmarked for setting up plants for SC/ST beneficiaries.

Consolidated registers containing details of beneficiaries were not maintained by most of the district officers and by the Additional Director of Agriculture.

There was no evidence in the registers maintained by the Agriculture Development Officers that Principal Agricultural Officers conducted periodical verification of biogas plants constructed under the scheme.

The State-level committee and the District-level committees did not hold regular meetings as envisaged.

FOREST ENVIRONMENT AND WILD LIFE DEPARTMENT

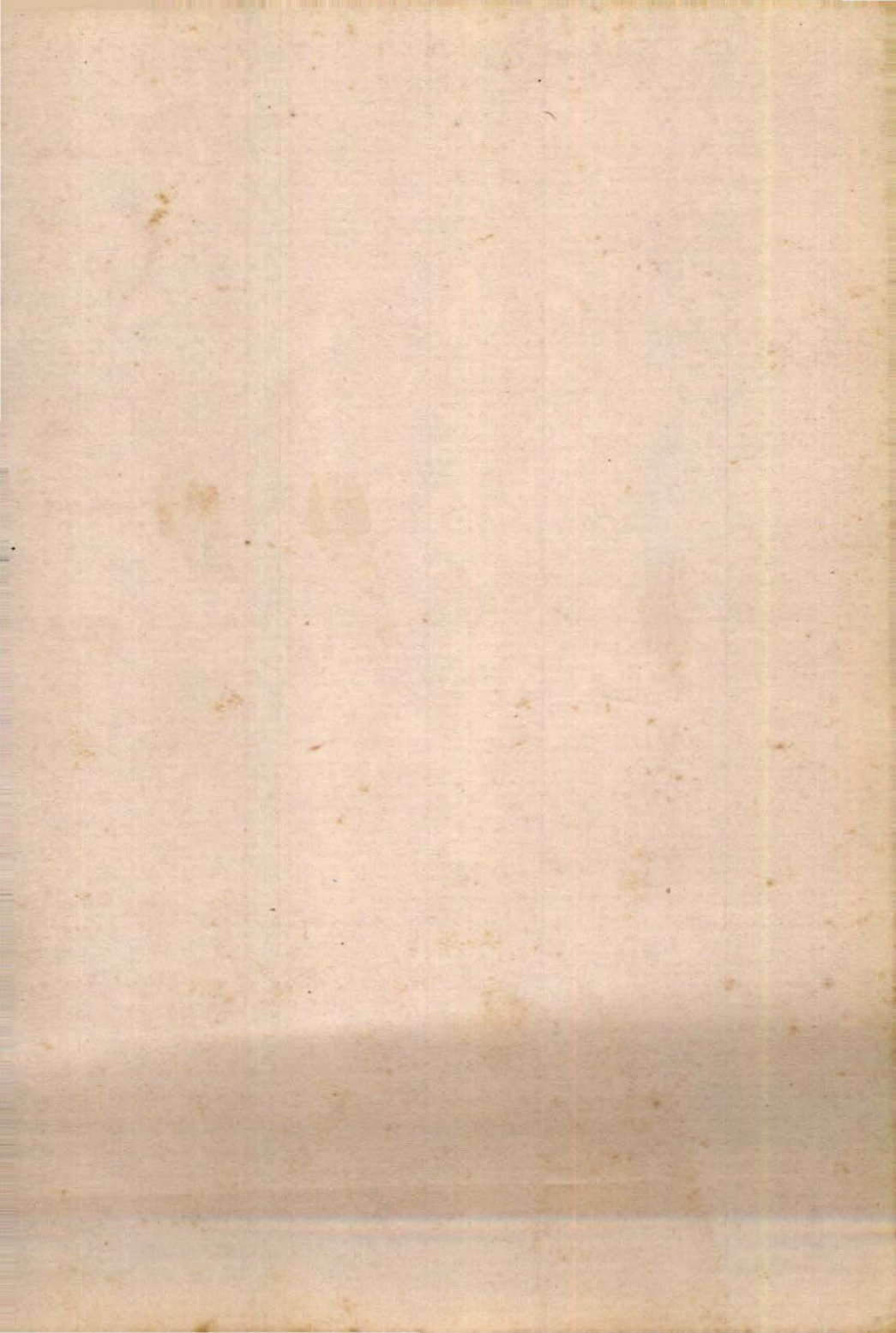
3.4. Afforestation and social and farm forestry including rural fuel wood plantations.

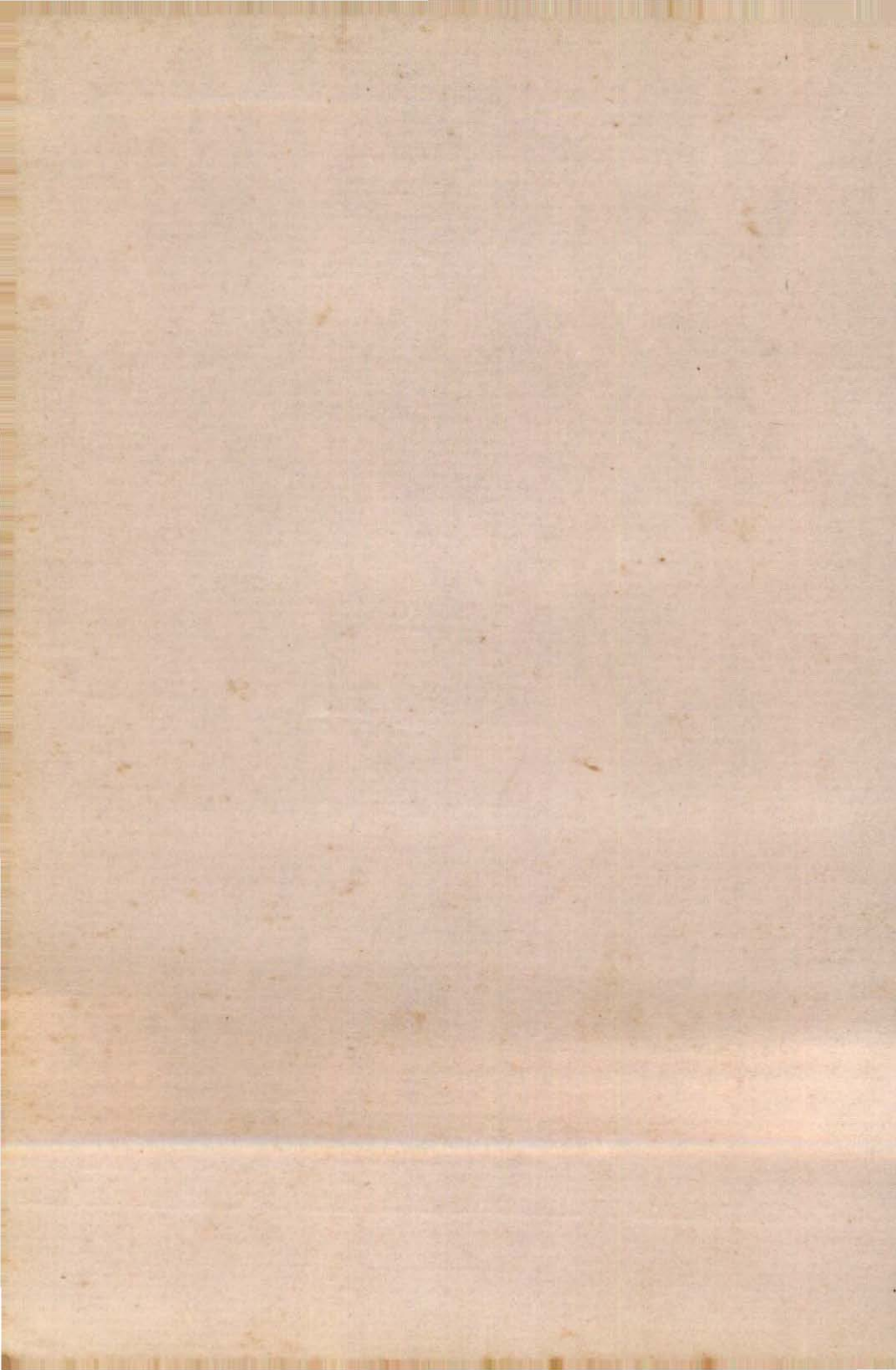
3.4.1. Introductory

Forests maintain the ecological balance, reduce soil erosion, supply raw materials to wood based industries and generate employment. Owing to rapid growth of population, there had been gradual denudation of forests resulting in deficiencies and shortages creating distortion in community life and environment.

The National Forests Policy, formulated in 1952, has recommended that at least one third of the land should be under Forest. Of the total geographical area of 38,663 sq. km. in Kerala, the area classified as forest to end of February 1984 was estimated by an appraisal mission to be 11,321 sq.km. (29 *per cent*). The land use statistics have not been updated and the actual area of the forest is estimated to be less due to large scale conversion and illegal settlement. According to a survey conducted by the Centre for Earth Science Studies, Trivandrum during 1984-85 only 9-10 *per cent* of the total geographical area of the State was under natural vegetation cover with an intact forest eco-system.

The Centrally sponsored programme of 'Social and farm forestry including rural fuel wood plantations' was launched during the Sixth Five





Year Plan with the objective of narrowing the gap between the need and level of supply of fuel wood, fodder and small timber. Social forestry schemes implemented as part of the programme are:—

- (i) Rural fuel wood scheme including farm forestry,
- (ii) Social forestry component of National Rural Employment Programme,
- (iii) Assistance to Small and Marginal Farmers to increase agricultural production and
- (iv) World Bank-aided Social Forestry Project.

Responsibility for implementation of the programme in the State is vested in the Chief Conservator of Forests (Social Forestry and Projects), Trivandrum (CCF-SF) who is assisted by 14 Divisional Officers and other supporting staff.

An audit review conducted during May-July 1985 of the implementation of the programme with reference to the records in the office of the CCF(SF) and the Divisional Offices at Trivandrum, Quilon, Kottayam, Trichur, Palghat, Kozhikode and Cannanore disclosed the following important points:—

A. Rural fuel wood scheme including farm forestry

3.4.02. Scheme profile

In Kerala, four districts (Trivandrum, Kozhikode and Cannanore in 1980-81 and Kottayam in 1983-84) were selected by the Government of India for implementation of the scheme. While approving the scheme, the Government of India had stipulated (February 1982) that changes in the scheme should not be effected without their approval. In order to avail itself of the Central assistance in full, the Forest Department, however, decided (May 1982) not to restrict the scheme to the selected districts. The scheme was accordingly implemented in all the districts in the State. This deviation had not yet been formally intimated (August 1985) to Government of India for approval/ratification. The CCF stated (November 1985) that it would not have been possible to achieve the set targets if the operations had been confined to the four selected districts and that the actual position had been brought to the notice of Government of India during discussions/inspections, etc. From the records produced to Audit by CCF (SF) it was seen that no district-wise survey of the availability and shortage of fuel wood had been conducted by the department before launching the scheme.

CCF (SF) stated (November 1985) that even without survey, Government and the department were aware that supply of fire wood was much less than the demand.

The scheme was eligible for 50 per cent grant assistance from the Government of India subject to prescribed monetary ceiling for various components.

The anticipated outlay on the scheme, annual budget provision, expenditure and the quantum of Central assistance received are indicated in the following table:—

Year	Anticipated outlay as per approved project documents	Budget provision	Expenditure		Central assistance received (grant)
			As reported by the State Government of India	As booked in the accounts by the Accountant General	
(in lakhs of rupees)					
1980-81		11.70	42.27	18.91	14.22
1981-82		13.00	71.48	31.64	7.01
1982-83		8.50	78.80	53.65	53.00
1983-84		89.00	59.71	66.95	29.96
1984-85		1,22.25	88.08	84.64	1,25.00
Total	3,83.14*	2,44.45	3,40.34**	2,55.79**	2,29.19

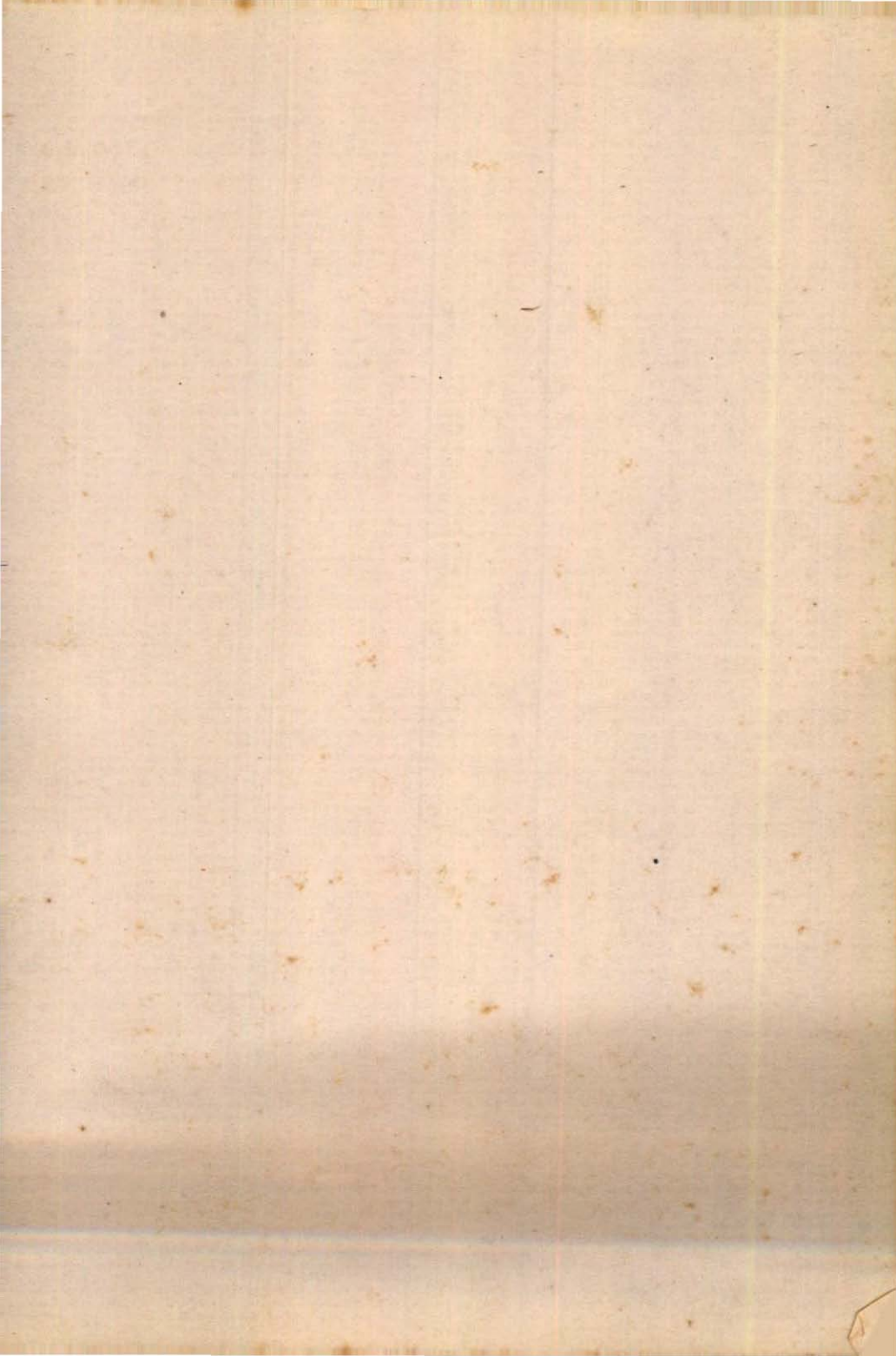
3.4.03. Physical targets and achievements

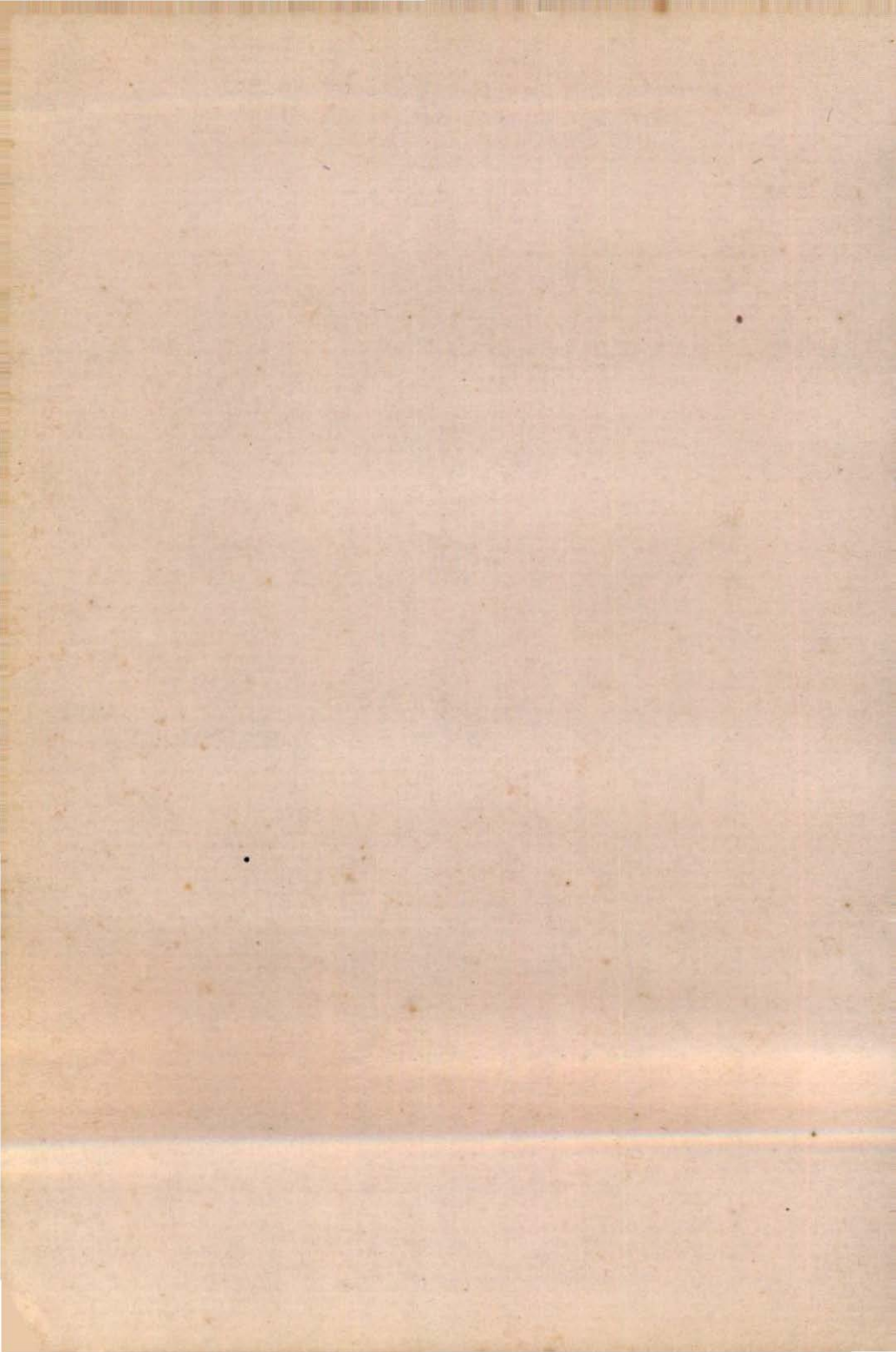
The physical targets fixed by Government of India during the Sixth Plan period and the achievements till 1983-84 as reported by the State Government were as indicated below:—

	Target for 1980-85	Achievement till 1983-84
Plantations	10,536 hectares	8,046 hectares
Seedlings	2,88.47 lakhs	2,04.01 lakhs

* This is outlay as approved by the Government of India in February 1982; year-wise break up is not available.

** Difference between the two figures has not been reconciled by the Forest Department.





The maximum cost fixed by the department for compact planting per hectare is Rs. 3,000 for grasslands and Rs. 2,000 for other places. The expenditure per hectare, however, exceeded the maximum limit of Rs. 3,000 per hectare in all the years, except 1983-84 as indicated below:—

<i>Year</i>	<i>Area planted</i> (in hectares)	<i>Expenditure per hectare</i> (in rupees)
1980-81	1,222.00	3,459
1981-82	1,365.00	3,832
1982-83	1,307.56	4,089
1983-84	436.69	1,915
1984-85	Details awaited	

3.4.04. *Maintenance of registers*

(i) The records such as nursery journals, plantation journals and distribution registers have not been separately maintained for each scheme in any of the divisions test-checked in audit.

(ii) Nursery journals of all the nurseries were not made available to Audit. In the Journals made available, important details such as quantity of seeds sown under each species, percentage of germination, stock of seedlings per bed, expenditure incurred, etc., were not generally noted.

(iii) The distribution register of seedlings was incomplete. The register was not maintained nursery-wise.

There were discrepancies in the number of seedlings produced and those actually distributed in Kottayam and Trichur Divisions, as indicated below:—

	<i>Number of seedlings</i> <i>produced</i>	<i>Number of seedlings</i> <i>distributed</i>
1983-84 Trichur	45,35,973	48,57,546
1984-85 Kottayam	53,42,508	39,85,663

In Kottayam, as against 13.56 lakh seedlings remaining to be distributed as per registers, there were only 27,000 seedlings in physical stock (July 1985).

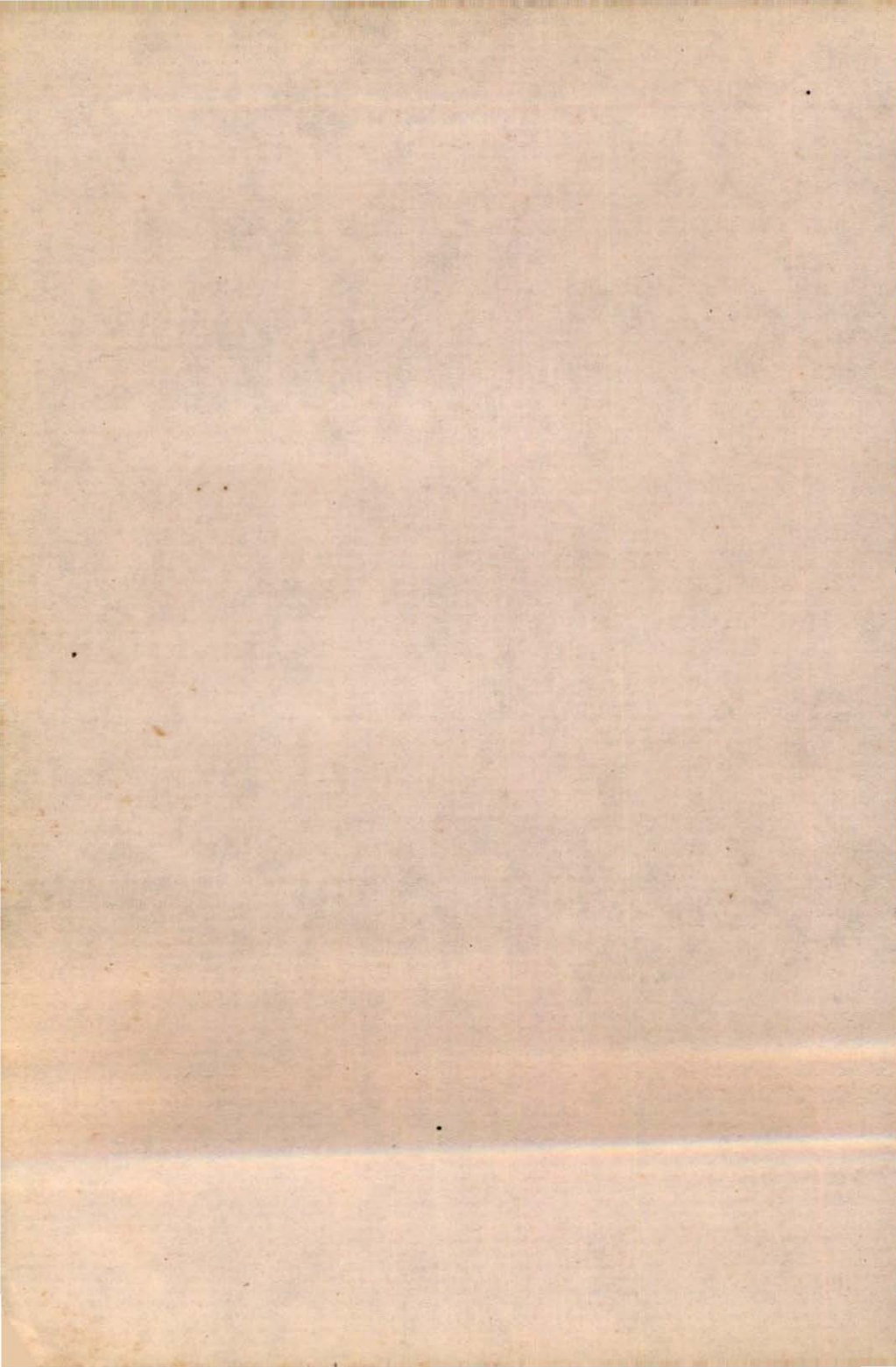
Reasons for the discrepancies are awaited from the divisions (September 1985). According to CCF (SF) discrepancies could occur as the estimation of stock, done by random sampling, might be wrong due to various factors.

(iv) With a view to distributing seedlings to maximum number of beneficiaries, the CCF (SF) had advised that seedlings to be supplied to individuals should be restricted to 5 each. But the Assistant Conservators had permitted bulk supplies involving thousands of seedlings. In 38 cases in four divisions, the supply of seedlings per individual was more than 1000. In 7 of these cases, the supply per individual was 10,000 or more seedlings. It was not verified by the divisions whether the individuals possessed lands to plant the seedlings in such large numbers and whether they actually planted the seedlings supplied to them. There was also no machinery to verify whether the parties who were provided with seedlings included any estates or estate owners, who were not entitled to free supply.

(v) Only names of individuals had been noted without their complete address in most of the distribution registers. It was not, therefore, possible for the department or any other agency to take follow up action to verify whether the seedlings issued had been planted and how far the planting had been effective. In the case of bulk supply to institutions, the departmental officials had not ensured through periodical inspection that the institutions maintained proper records to account for the seedlings, despite instructions issued (June 1984) for the purpose by the CCF (SF).

(vi) According to the provisions in the Kerala Forest Code, each division, where plantations are raised, has to maintain a plantation journal for recording the particulars of various operations undertaken from the survey of area to the final felling of trees. In the divisions test-checked, the plantation journals maintained were incomplete. Details of operations conducted, expenditure incurred separately for planting and maintenance, number of seedlings planted, details of casualty, replacement, height of plants from time to time, etc., had not been noted.

Owing to these deficiencies and non-maintenance of scheme-wise records, the accuracy of the progress reports forwarded by the department to the Government of India was not susceptible of check in audit. CCF (SF) attributed (November 1985) the deficiencies and omissions to lack of adequate staff and the comparatively low standard of education, training and efficiency of the distributing agencies, and stated that the department was making every effort to improve the standard of accounting and ensure that implementation of the project was satisfactory in all respects.



3.4.05. *Non-collection of seeds from 'Plus' trees*

According to the scheme, seeds were to be collected from pre-selected 'Plus' trees which were genetically improved. It was, however, seen in audit that except in the case of a few species like teak, sandal, matti, etc., seeds used for sowing in nurseries were procured by the Range Officers locally on the ground that the requirement of seeds was massive, making it difficult for the department to adhere to the norm. In the result, seedlings had failed in a number of cases. For instance, bamboo seeds sown during 1983-84 in eight out of nine nurseries in Trivandrum District had completely failed to germinate. The Assistant Conservator of Forest (SF), Trivandrum attributed this to poor viability of the seeds.

Though the scheme was intended to grow only fast growing fuelwood trees, it was noticed that nurseries of teak, sandal, vengai and other species not coming under 'fuelwood' had also been established in all the divisions. CCF (SF) stated (November 1985) that while the emphasis was on growing fuelwood trees, other species were also grown to meet the demands of the people.

3.4.06. *Purchase of polythene bags*

The total number of polythene bags required to produce basketed seedlings for all the 14 Divisions implementing social forestry schemes during 1984-85 was 2,16.50 lakhs. Against this, the quantity purchased in six divisions (Quilon, Trichur, Kottayam, Kozhikode, Cannanore and Palghat) alone during 1984-85 was 1,83.97 lakh bags. Though according to the provisions contained in the Stores Purchase Manual, the annual requirement of stores is to be procured centrally and by following tender procedure, each Range Officer resorted to local purchase, inviting limited quotations, which resulted in payment of different rates. Splitting of the requirement and purchase deprived the department of the advantages of bulk purchase. The procedure followed was thus not in the best financial interest of the Government. The reasons for not following the purchase procedure prescribed in the rules, called for from the department are awaited.

B. *Social forestry under National Rural Employment Programme (NREP)*

3.4.07. *Financial and physical inputs*

In terms of Government of India's guidelines, 10 per cent of the resources for the National Rural Employment Programme (NREP) were to be utilised

on social forestry works. During the period from 1981-82 to 1983-84, a sum of Rs. 3,61,65 lakhs was spent on the scheme. However, the prescribed 10 *per cent* utilisation of resources for social forestry was not achieved in any year except 1982-83. While there was no expenditure on social forestry works during 1980-81, such works accounted for only 6.25 *per cent* and 6.69 *per cent* of the total expenditure under NREP during 1981-82 and 1983-84.

Information regarding expenditure incurred during 1984-85 was awaited from the department (September 1985).

The quantity of foodgrains received and quantity utilised for social forestry works were as follows:—

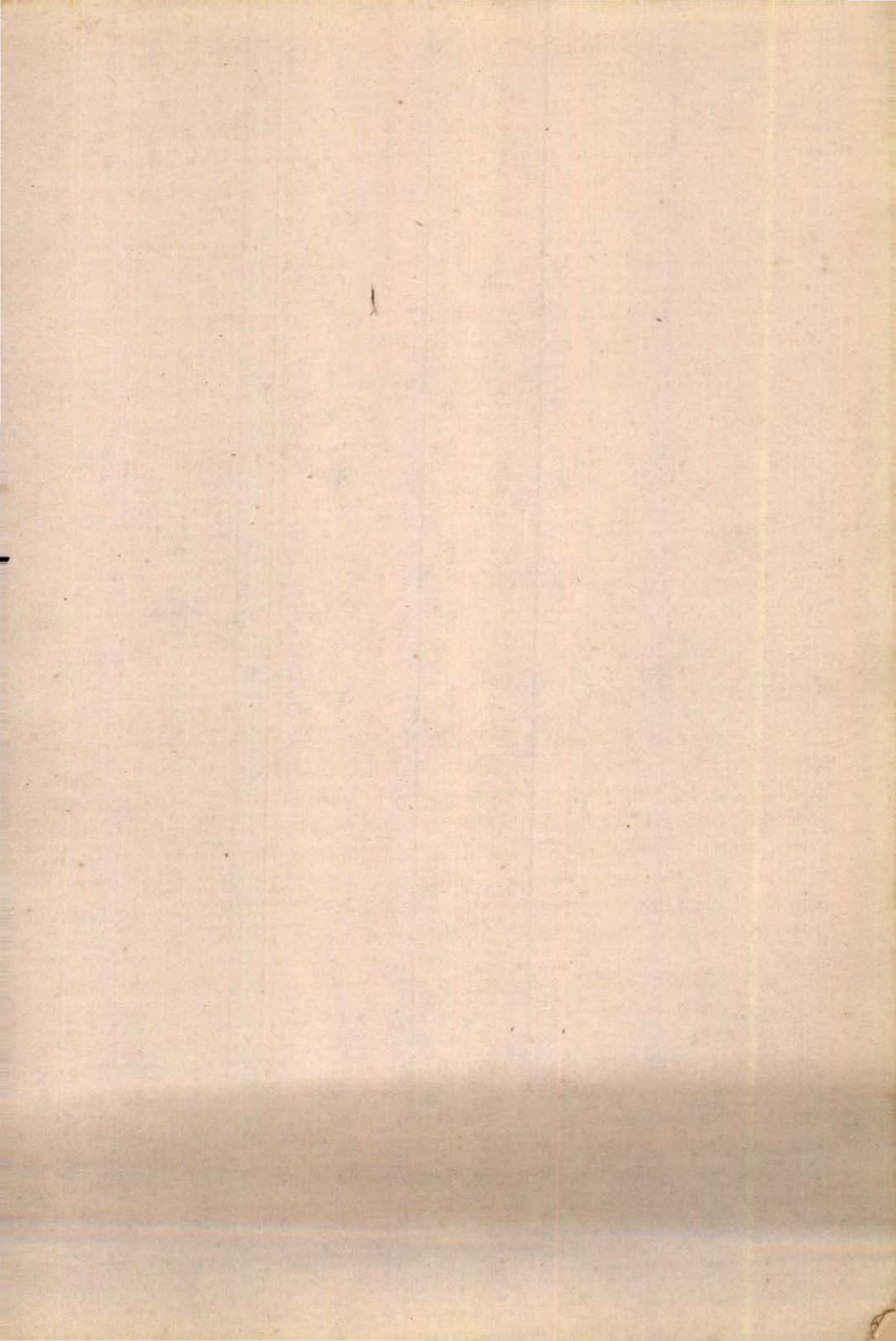
	<i>Opening balance</i>	<i>Receipt</i>	<i>Utilisation (in tonnes)</i>	<i>Balance</i>
1982-83		172.00	30.00	142.00
1983-84	142.00	175.00	148.83	168.17
1984-85	168.17	Nil	154.91	13.26

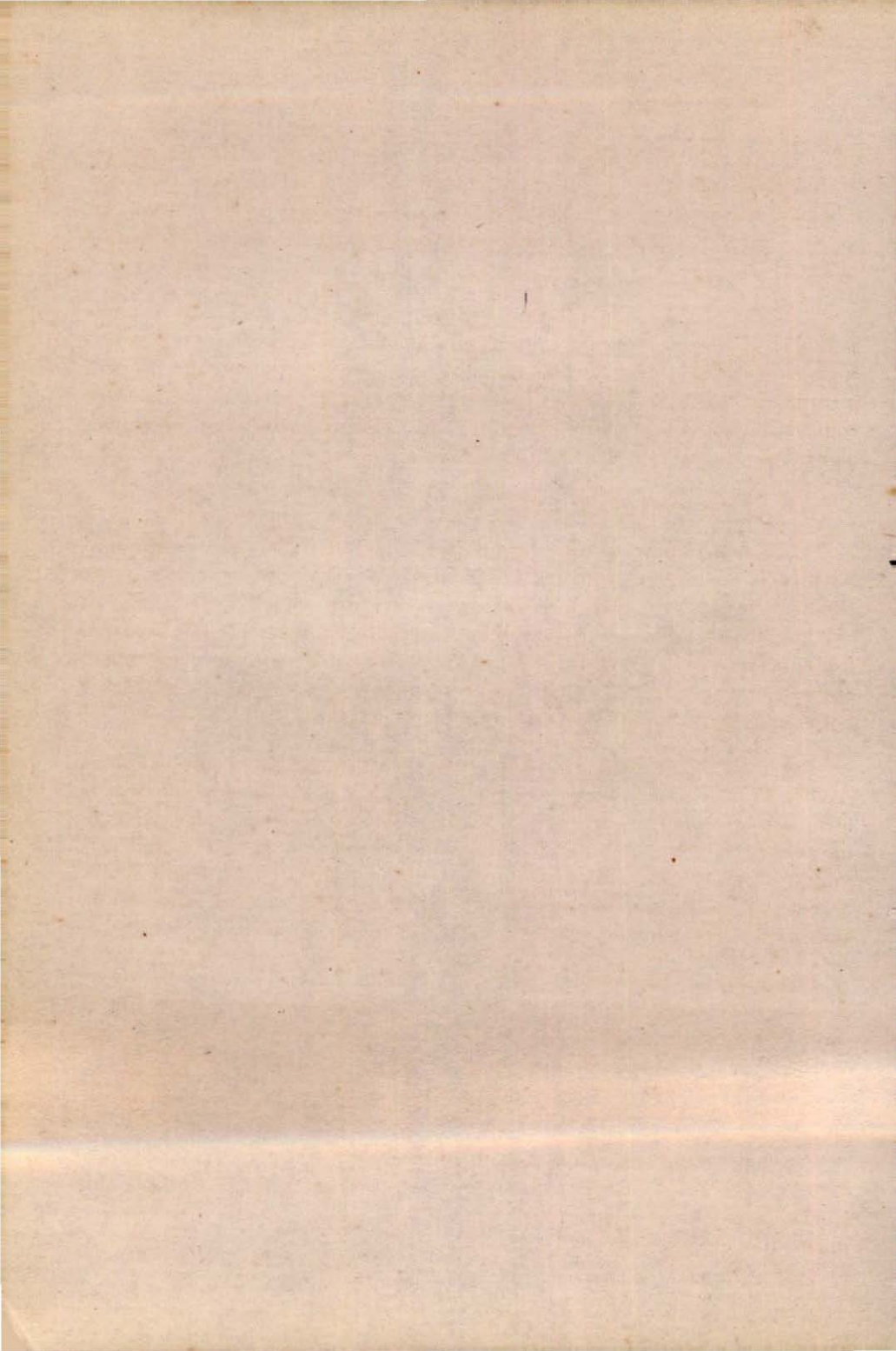
The important points noticed in test-check are mentioned below:—

3.4.08. *Extra expenditure*

Social forestry works under NREP were executed by the Forest Department. As the minimum wage fixed for Forest works was higher than the wage rate fixed under NREP, the Forest Department represented to the Government of India (August 1981) for permission to pay the higher rate for social forestry works. The proposal was not agreed to by the Government of India as it was against the principle followed in the fixation of wage rate under NREP. However, the Forest Department prepared estimates for social forestry works under NREP also on the basis of forest schedule of rates.

In the progress reports furnished by the forest Department, the generation of employment, during the period 1981-82 to November 1984 was shown as 31.21 lakh mandays. This was worked out at the NREP wage rate of Rs. 10 from 30th July 1981 and Rs. 15 from 30th August 1984. However, the wage rate adopted by the Forest Department to prepare estimates for NREP forestry works was Rs. 15 per worker up to December 1983, and Rs. 18 from January 1984 and on this basis, the mandays of labour would work out to 20.09 lakhs, as against 31.21 lakhs reported. The extra expenditure due to adoption of the higher wage rate (and consequent inflation of the number of workers





so as to make up for the wage differential) was of the order Rs. 1.11 crores as shown in Appendix 3.1. The CCF stated (November 1985) that the forest schedule of rates had to be adopted as it was impossible to get workers for social forestry works at the rates prescribed for NREP works which were much lower.

According to the forest schedule of rates, wage rate for execution of works is higher in forest areas than in non-forest areas. However, the workers engaged on social forestry works in non-forest areas like poromboke Government lands, road sides, canal banks, etc., were paid the same wages as those engaged on works in reserve forests. There was no justification for paying higher (forest) rates for works in non-forest areas.

3.4.09. *Non-maintenance of proper records*

On scrutiny of the records of the Social Forestry Divisions, it was seen that payments were invariably made to 'conveners' on petty construction and repair (PCR) vouchers and that no muster rolls were maintained for engagement of labourers. The manner of selection of the conveners was also not apparent from the records. There was also no indication that the department had ensured that the selected conveners were not regular contractors, who were not eligible to be engaged for execution of NREP works.

As regards maintenance of muster rolls, the Assistant Conservator of Forests (ACF), Trichur stated (June 1985) that most of the works done by the department were seasonal, making the maintenance of muster rolls difficult. According to the ACF, Quilon, muster rolls were being maintained by the conveners under supervision by the departmental officials, but this claim could not be accepted as payments were made to conveners on piece rate basis and not on the basis of the number of workers actually employed.

In the absence of muster rolls, the correctness of the statistics relating to employment generation could not be verified and it was also not possible to verify whether scheduled caste/scheduled tribe labourers and women had been engaged to the prescribed extent.

3.4.10 *Foodgrain accounts*

According to the guidelines issued by Government of India, the workers are to be paid wages partly in kind (i.e. 1 kg. rice per day per worker) and the balance in cash. A quantity of 333.74 tonnes of foodgrains was utilised during the period 1982-83 to 1984-85.

Test-check of foodgrain accounts in Kottayam Division (July 1985) revealed that details of distribution of 38.43 tonnes of rice (1982-83: 8.76 tonnes; 1983-84: 29.67 tonnes) were not available with the division.

In Kozhikode Division, the exact quantities of rice purchased and distributed during 1982-83 were not known as the relevant records were stated to have been taken away by the Vigilance Police.

As proper foodgrain accounts and muster rolls were not maintained, it could not be verified in audit whether the foodgrains had been distributed only to *bona fide* workers. CCF (3F) stated (November 1985) that muster rolls could not be prepared because of inadequacy of staff and other practical difficulties and that the non-availability of registers in Kottayam and Kozhikode Districts was being investigated by the department.

C. Assistance to Small and Marginal Farmers to increase agricultural production

3.4.11. The scheme, which envisaged distribution of 80,000 seedlings (fruit trees: 25 per cent; fuelwood trees: 75 per cent) per block annually among small and marginal farmers, was introduced during 1983-84. Forest Department was to raise nurseries and distribute the seedlings either free or on a token charge of 10 paise each. Lands belonging to scheduled castes, scheduled tribes and freed bonded labour were to be given top priority in raising forestry plantations. The anticipated annual expenditure for 151 blocks at Rs. 0.50 lakh per block was Rs. 75.50 lakhs, against which the expenditure reported to the Government of India was Rs. 43.62 lakhs for 1983-84 and Rs. 26.68* lakhs for 1984-85.

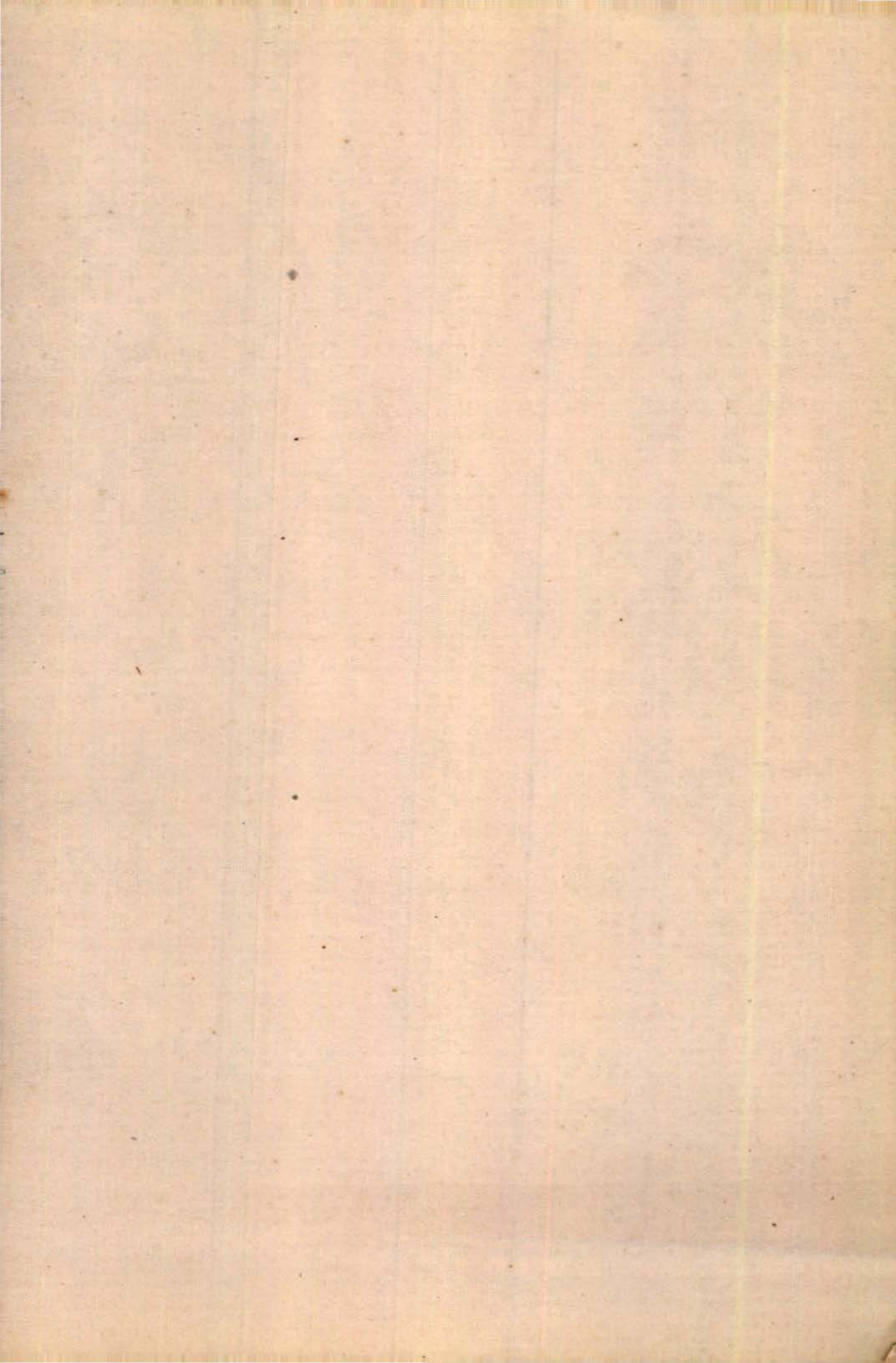
The number of seedlings reportedly raised under the scheme during 1984-85 for distribution to Small and Marginal Farmers was 1,17 lakhs against an estimated annual requirement of over 1,20 lakh seedlings (exclusive of any margin for casualty)

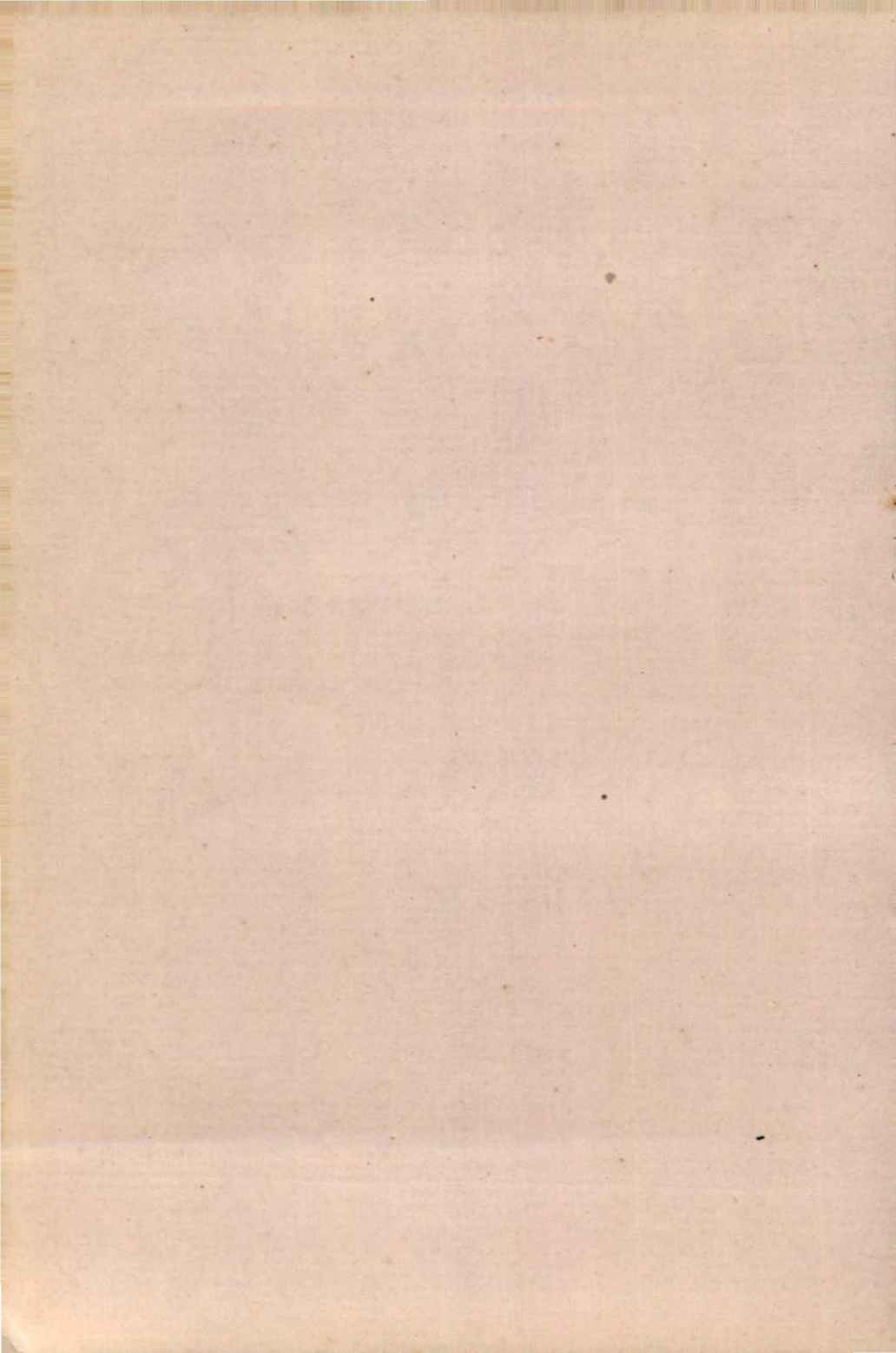
D. World Bank-aided Social Forestry Project

3.4.12. Progress and expenditure

In December 1984 the State Government entered into an agreement with the World Bank for implementation of a major social forestry project over a period of six years commencing from 1984-85. The estimated cost of

* Does not include Rs. 35.03 lakhs drawn by debit to the Scheme and paid to the District Rural Development Agencies.





the project was Rs. 599.1 million, of which approximately 60 per cent would be financed by the World Bank.

The project report envisaged an investment of Rs. 88.7 million during 1984-85. Against this, the expenditure incurred was only Rs. 14.59** million. The shortfall in expenditure worked out to 83.5 per cent. The break up of expenditure, provision in the project report and the amount of reimbursement claimed were as follows:—

	<i>Provision for 1984-85 as per project report</i>	<i>Expenditure during 1984-85</i>	<i>Reimburse- ment claimed from the World Bank (and its per- centage to total expenditure)</i>
	<i>(in lakhs of rupees)</i>		
Civil Works	3,75	9.14	4.57 (50 per cent)
Vehicles, equipment, furniture, etc.	92	27.46	19.22 (70 per cent)
Plantation activities	2,51	72.81	43.69 (60 per cent)
Research and studies	4	0.32	0.32 (100 per cent)
Incremental staff salaries	58	36.12	21.67 (60 per cent)
Others	1,07	Nil	Nil
	8,87	1,45.85	89.47

The shortfall in the expenditure against the project provision in the first year was to the extent of Rs. 7,41.15 lakhs. The project report provides for an investment of Rs. 9,24 lakhs during the second year of operation, viz.,

** As per the statement of reimbursement furnished to the World Bank through the Government of India in February and June 1985.

1985-86 . To achieve the target for the 2 years taken together (including that required for making up the shortfall during 1984-85), the financial investment required during 1985-86 was Rs. 16,65.15 lakhs. Against this, the budget provision made for the year was only Rs. 7,00 lakhs.

In June 1984, State Government ordered transfer of 14,176 hectares of land selected for Block plantations from the territorial divisions to the Social Forestry Wing. In Palghat Division, where 2,050 hectares of land were to be transferred, only 50 hectares in Nenmara Range had been transferred (July 1985). Information regarding the progress of transfer in other divisions is awaited (November 1985).

3.4.13. *Drawal of funds to avoid lapse of budget provision*

The project provided for construction of staff quarters and offices at the State headquarters, Divisions and other places. The estimates for none of these works had been sanctioned so far (July 1985). However, to avoid lapse of budget provision, ACFs, at Trivandrum, Quilon and Kottayam paid, in March 1985, the cost of 4,887 bags of cement (value: Rs. 3.69 lakhs) to the Kerala State Warehousing Corporation and 22.60 tonnes of steel (value: Rs. 1.42 lakhs) to the Steel Authority of India. The materials had not been procured yet (July 1985). Other building materials like bricks, sand and granite (value: Rs. 0.50 lakh) purchased (March 1985) by ACF, Quilon also remained unutilised (July 1985).

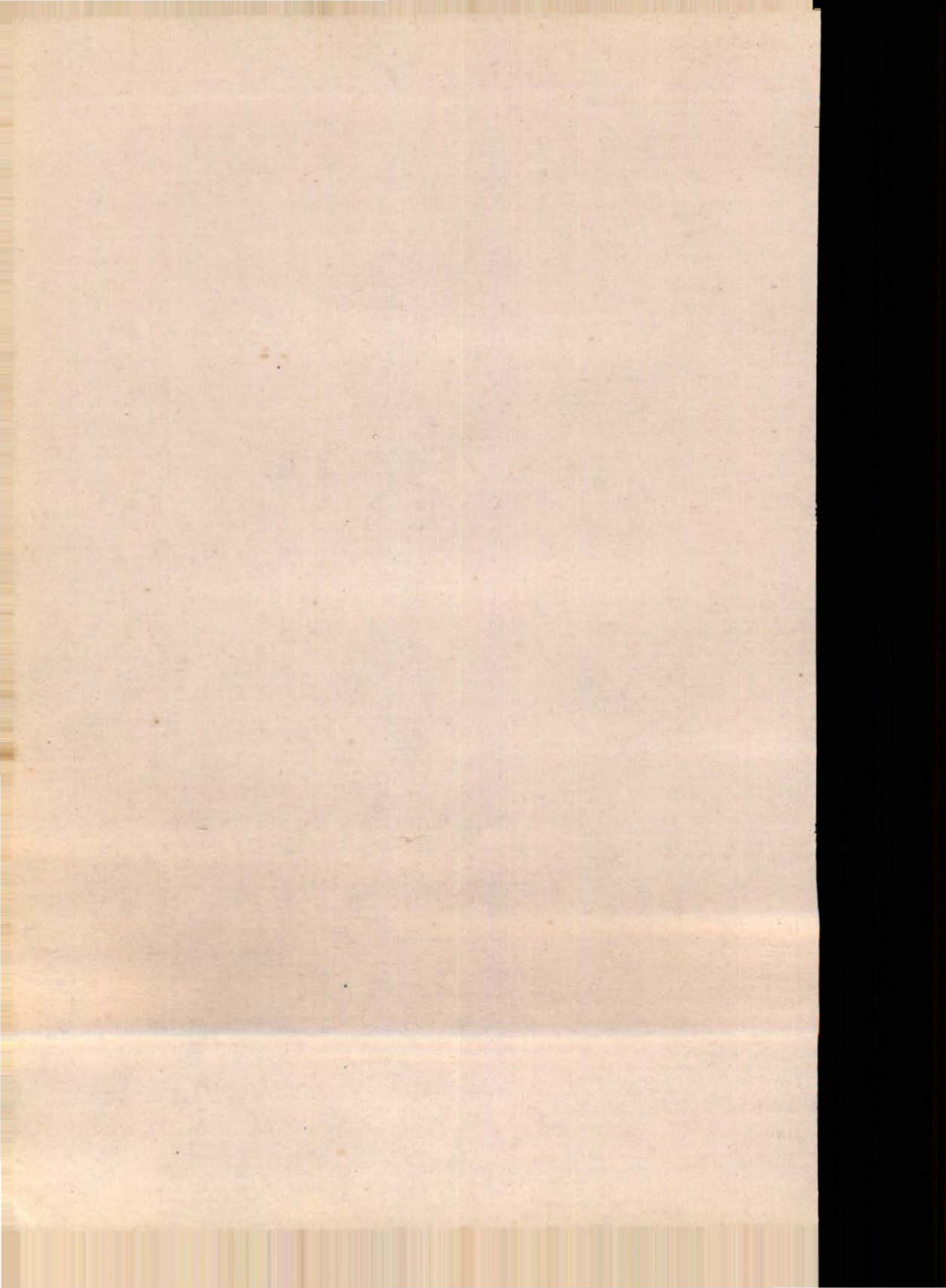
ACF (SF) Quilon stated (June 1985) that the expenditure was incurred on specific instructions from CCF (SF).

The purchases amounting to Rs. 5.61 lakhs even before finalising the estimates and in order to avoid lapse of budget provision were irregular.

E. Other points of interest.

3.4.14. *Goolikadavu plantation*

A mixed plantation was raised during 1983 at Goolikadavu in Agali Range of Palghat Special Division under Social Forestry drought relief scheme. The plantation had failed and was having only 10 per cent stocking. According to CCF (Vigilance) Trivandrum (August 1985), the continued maintenance of the plantation was not justified and Rs. 10.69 lakhs spent on it during 1983-84 and 1984-85 was a total loss to Government. Disciplinary action was reportedly being initiated against the officials responsible for the failure of the plantation. Further developments are awaited (September 1985).



3.4.15. *Drought relief works in Idukki District*

As part of drought relief works a sum of Rs. 26.76 lakhs was paid to 16,171 persons through 12 Range Officers during March-September 1983 for execution of social forestry works in private lands in Idukki District. On receipt of complaints about irregularities in execution of the works, Government directed CCF (Vigilance) to conduct an investigation. As the full addresses of the payees were not given in the measurement books, vouchers, etc., the Vigilance wing could verify and investigate only 307 out of 16,171 cases. The investigation revealed the following defects/shortcomings:—

- (i) Against 67,344 seedlings shown as planted, only 6,668 were available at the time of verification.
- (ii) Evidence of trenches having been dug for planting seedlings was available only in 64 *per cent* cases.
- (iii) Evidence of planting was lacking in 91 *per cent* of the cases.
- (iv) Books printed in private presses/note books were used as measurement books although sufficient measurement books in the prescribed form were available with the department.
- (v) There were instances where same persons had been paid for the same works by more than one Range Officer, resulting in excess payment.

The CCF stated (July 1985) that charges had been framed against the delinquent officers and that the draft memo of charges had been sent to Government for approval and issue. Further developments were awaited (December 1985).

3.4.16 *Belt plantation in Pariyaram Range*

A belt plantation (30 km. long, 8m. wide) was reportedly raised in June-July 1982 in Pariyaram Range (Chalakudy Division) at a cost of Rs. 0.62 lakh. On an inspection of the plantation in August 1982, Conservator of Forests, Trichur observed that the planting was highly defective in that the seedlings were only a few inches below the soil, with 8-9 inches of root system above the ground level. It was then assured by the Range Officer that the entire belt would be replanted properly under his supervision. There was, however, no evidence to indicate that this had been done. In a report sent by the Range Officer to the District Forest Officer in November 1982, it was stated that the survival rate in the plantation was only 40 *per cent*. On an

enquiry conducted by CCF (Vigilance) in 1985, it was found that no such plantation existed then and that a Range Officer posted to the Range in 1983 had admitted having never seen such a plantation. Details of action taken against delinquent officers were awaited from the department.

3.4.17 *Compact plantation in Pariyaram Range*

Under NREP, a 24 hectare compact plantation was raised in Pariyaram Range (Chalaky Division) in May 1982, at a cost of Rs. 0.74 lakh. Conservator of Forests, Trichur, found during his inspection (August 1982) that the root system of the seedlings had come out of the soil. There was no evidence to indicate that the defect was rectified subsequently. On an inspection in 1983, CCF (Vigilance) observed that the survival rate in 12 hectares of the plantation was only about 50 per cent while the entire plantation in the remaining 12 hectares had almost perished and was a complete failure. The infructuous expenditure on the latter plantation worked out to Rs. 0.37 lakh.

3.4.18. *Expenditure on tree guards*

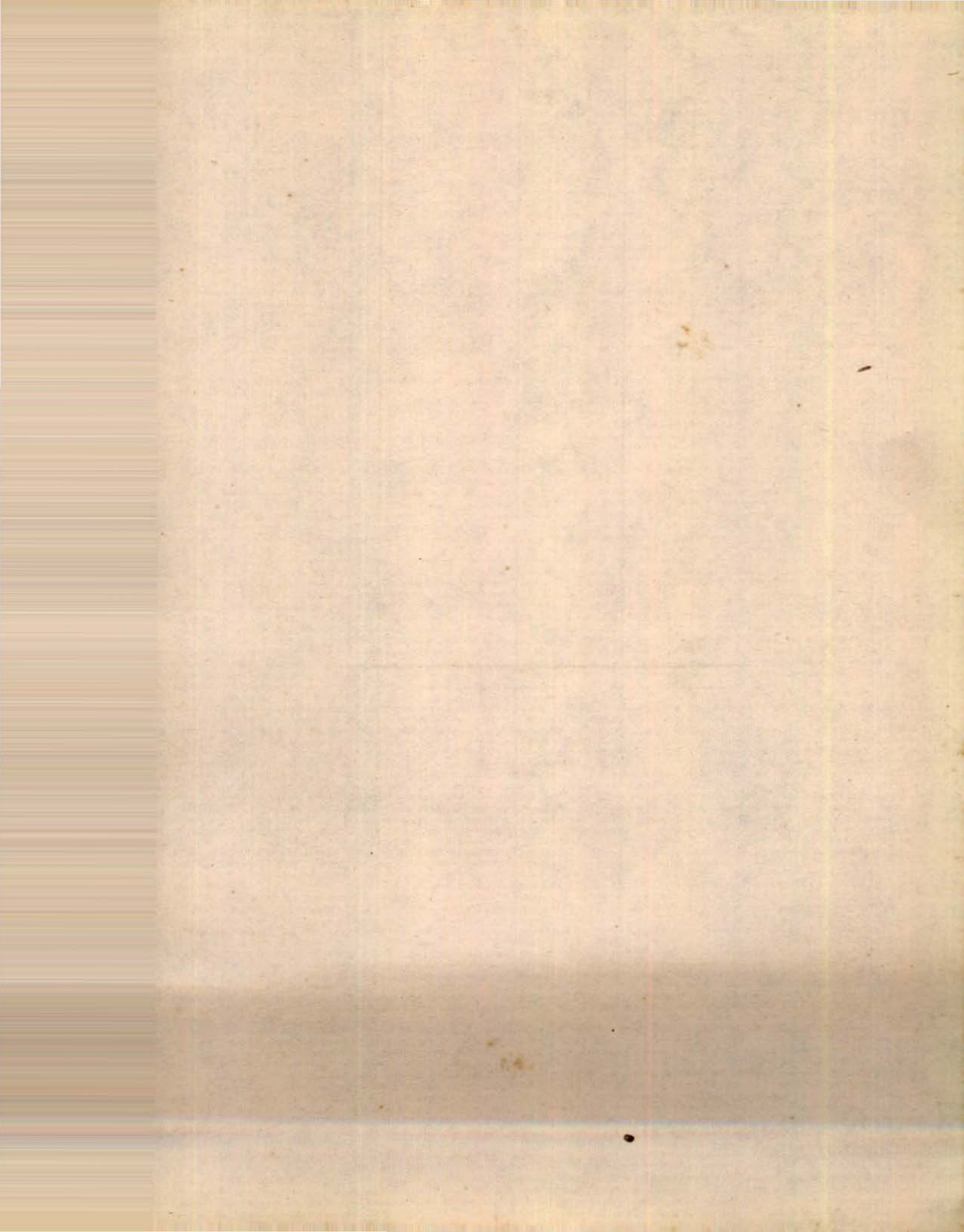
According to the instructions issued in April 1985 by CCF (SF), protection of avenue trees was to be entrusted to the nearest house-holds. Tree guards were to be provided only in cases where people were not available or forthcoming for the protection of trees.

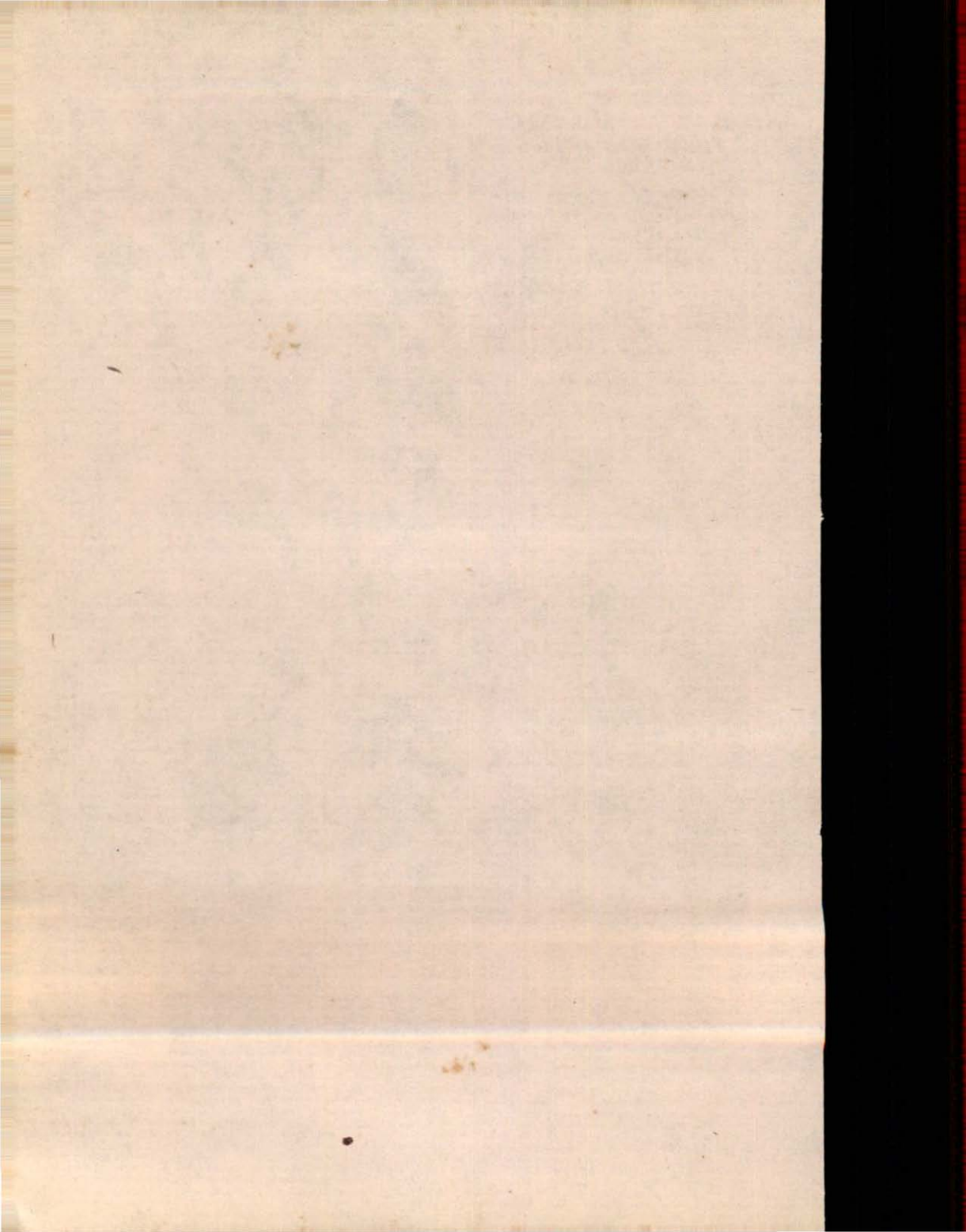
On a test-check of sanctioned estimates in the divisions, it was noticed that provision had been made for the construction of tree-guards for all trees and there was no record to show that the feasibility of entrusting protection to nearby house-holds was ever considered before framing the estimates for tree-guards or executing the works therefor.

In respect of seven avenue plantation works in Cannanore Division, where 4,450 trees were planted during 1982-83 and 1983-84, the cost of providing tree-guard for each plant ranged between Rs. 143 to Rs. 185, the total cost incurred being Rs. 7.05 lakhs. Besides, a sum of Rs. 0.41 lakh was also spent for providing watchmen. In Trichur Division, however, expenditure of only Rs. 32 per plant was incurred on tree-guards due to adoption of a cheaper method, using frames with bamboo thorns and jungle wood posts. Conservator of Forests, Kozhikode had not sanctioned the estimates of Cannanore Division so far (July 1985) as he was of the view that the cost was very high.

3.4.19 *Surrender of funds*

On 29th March 1985, Government accorded sanction to CCF (SF) to draw and pay the District Rural Development Agencies (DRDAs) the amounts





allotted to him for the implementation of NREP/Small and Marginal Farmers Scheme and remaining unutilised.

Accordingly, unutilised amounts of Rs. 19 lakhs under NREP and Rs. 35.03 lakhs under Small and Marginal Farmers Scheme were drawn and paid to the DRDAs in March 1985. Information about the utilisation of the amounts is still awaited from the department (November 1985).

3.4.20 *Monitoring and evaluation.*

The monitoring and evaluation cell of the Social Forestry wing headed by the Deputy Conservator of Forests was to undertake a study of the scheme. Due to most of the distribution registers in the divisions not being traceable and those maintained by the voluntary agencies not being reliable, he proposed to do a random survey. In November 1985, CCF (SF) informed Audit that the survey had since been completed and the data were being tabulated. Findings of the survey are awaited (December 1985).

A special survey conducted in 1983 to assess the impact of the seedling distribution programme and evaluate its results indicated that only about 36 *per cent* of the seedlings distributed had survived. The low rate of survival was attributed to (i) poor quality of seedlings, (ii) handling losses and (iii) planting errors.

An appraisal report (August 1984) indicated that (i) after-care of plantations was inadequate, (ii) very limited beating-up and weeding had been carried out since 1981, (iii) protection against livestock was poor and (iv) the sites selected for plantation were too close to settlements despite availability of other suitable areas.

Summing up

The per hectare cost of compact planting was more than the prescribed ceiling during all the years from 1980-81 to 1982-83.

In the nursery journals details like quantity of seed sown, percentage of germination, stock of seedlings per bed, expenditure etc., were not generally noted.

In Kottayam Division, against 13.56 lakh seedlings shown in the registers as remaining to be distributed (July 1985), the actual physical stock was only 27,000 seedlings.

Instead of collecting seeds from 'Plus' trees, seeds used for sowing were procured locally without any pre-selection.

Bamboo seeds sown during 1983-84 in eight out of nine nurseries in Trivandrum District had completely failed to germinate.

For social forestry component of NREP, adoption of a higher wage rate than the admissible rate resulted in an extra expenditure of Rs. 1.11 crores; there was also inflation in the number of workers to make up for the wage differential.

The number of seedlings raised during 1984-85 was less than the estimated quantity required for distribution to small and marginal farmers.

Against a provision of Rs. 8.87 crores in the World Bank aided Social forestry projects, expenditure during 1984-85 was only Rs. 1.46 crores.

Mixed plantation raised during 1983 at Goolikadavu in Agali Range had failed, rendering expenditure of Rs. 10.69 lakhs incurred on it a total loss.

In the execution of social forestry works undertaken as part of drought relief work in Idukki District at a cost of Rs. 26.76 lakhs, serious irregularities were noticed.

A belt plantation reportedly raised in Pariyaram range (Chalaky Division) in 1982 at a cost of Rs. 0.62 lakh was found to be non-existent in 1983. In the same range, a compact plantation raised in 1982 at a cost of Rs. 0.37 lakh was also a complete failure.

In Cannanore Division, Rs. 7.05 lakhs were spent on providing tree-guards for about 4,450 plants at a high cost of Rs. 143 to Rs. 185 each, compared to only Rs. 32 per plant in Trichur Division.

Rupees 54.03 lakhs out of the provisions made for NREP/Small and Marginal Farmers Scheme were drawn and paid to DRDAs in March 1985, apparently to avoid lapse of funds.

A survey conducted in 1983 indicated that only about 36 per cent of the seedlings distributed had survived.

The matter was reported to Government in September 1985; their reply is awaited (April 1986).



GENERAL ADMINISTRATION DEPARTMENT

3.5. Tourism**3.5.01. General profile**

Kerala with its beaches, backwaters, and wild life offers innumerable attractions to tourists. The number of tourists visiting the State is, however, quite low compared to other States in India. The important tourist spots in the State are Trivandrum, Kovalam, Veli, Neyyar dam, Ponnudi, Varkala, Alleppey, Sabarimala, Thekkady, Cochin, Malampuzha and Guruvayur. The volume of tourist traffic in the State which was estimated as 1.86 lakhs (foreign: 0.21 lakh; domestic: 1.65 lakhs) is expected to go up to 4.46 lakhs (foreign: 0.50 lakh; domestic: 3.96 lakhs) by 1986.

The Department of Tourism and the Kerala Tourism Development Corporation Limited (KTDC)- a State Government Company formed in December 1965-are the two agencies directly concerned with the development of tourism in the State. While the Department of Tourism attends to tourism promotion activities in general including hospitality functions of Government and management of tourist bungalows and State-owned guest houses, KTDC is responsible for activities like hoteliering, tourist transport service, tourist information, publicity, etc.

3.5.02. Scope of audit

An audit review conducted in April-June 1985 of the tourism promotion activities of the department and KTDC disclosed the following important points:—

A. General Activities**3.5.03. Provision and expenditure**

The proposed Plan outlay, budget provision and actual expenditure on tourism during the Fourth, Fifth and Sixth Five Year Plans were as under:—

		<i>Proposed outlay</i>	<i>Budget provision</i>	<i>Expenditure</i>
<i>(in lakhs of rupees)</i>				
Fourth Plan	(1969-74)	50.00	Not available	20.78
Fifth Plan	(1974-79)	71.00	1,17.38	1,20.44*
	(1979-80)	3,00.00	94.17	90.65*
Sixth Plan	(1980-85)	6,75.00	5,69.71	5,56.83*
	Total	10,96.00	7,81.26	7,83.70

*Includes investments in KTDC.

The Scheme/activity-wise break up from the Fifth Plan onwards, that is, from 1974-75 to 1984-85, is given below:—

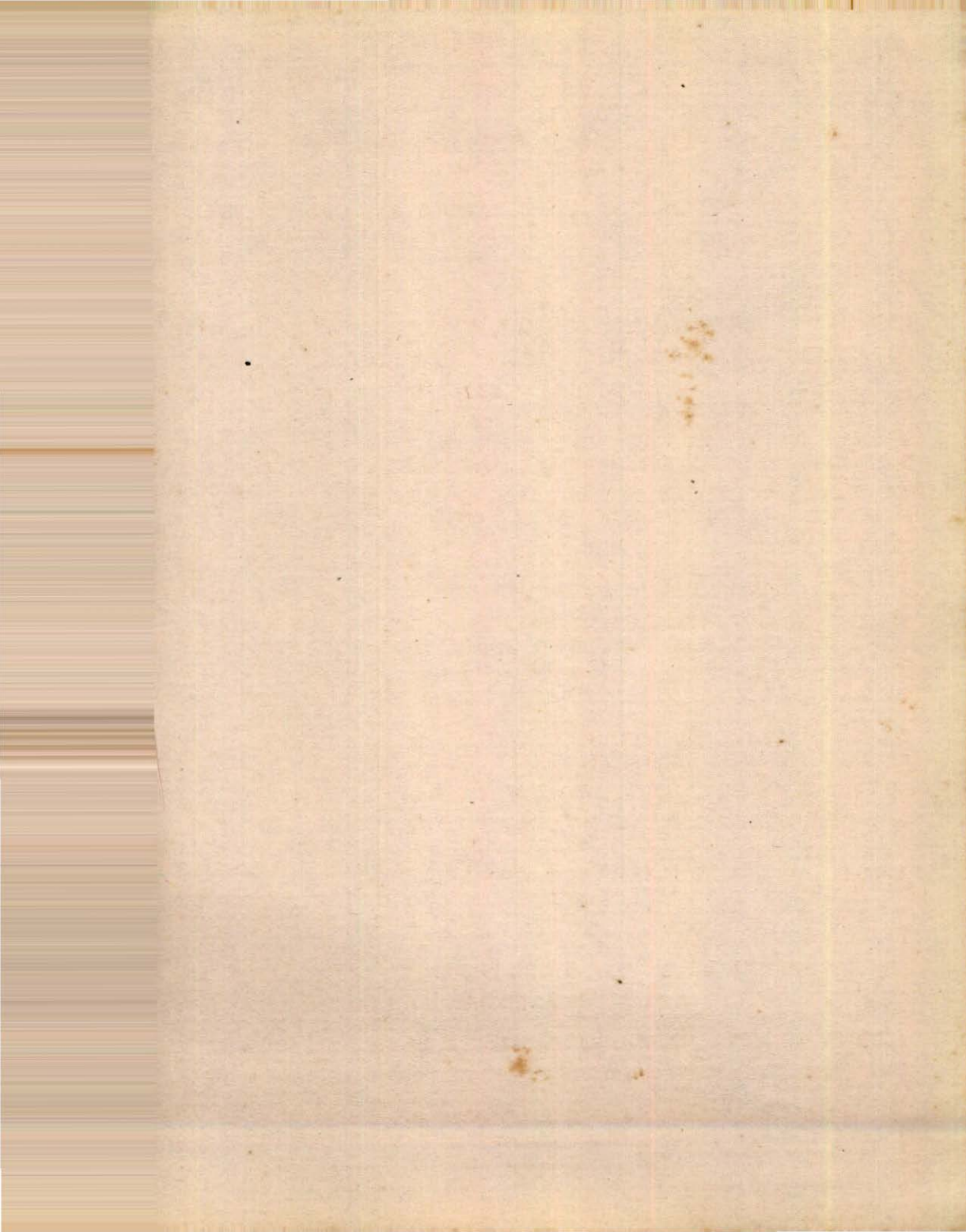
<i>Scheme/activity</i>	<i>Plan allocation</i>	<i>Budget provision</i>	<i>Expenditure</i>
	<i>(in lakhs of rupees)</i>		
1. Strengthening of Tourist Organisation	20.00	6.97	5.99
2. Tourist accommodation (including investment in KTDC)	6,81.00	5,23.30	5,24.13
3. Tourist information and publicity	1,08.00	68.29	59.34
4. Tourist centres and works	1,86.50	1,66.13	1,59.69
5. Other items	50.50	16.57	18.77
Total	10,46.00	7,81.26	7,67.92

3.5.04. *Non-implementation of schemes*

(i) During the Sixth Plan it was proposed to open tourist information centres at five places, namely, Trivandrum, Quilon, Ernakulam, Kozhikode and New Delhi. However, sanction was accorded (April 1982) by Government for opening only two centres, one at Madras and the other at Kozhikode. The centre at Madras started functioning in October 1982. The Kozhikode centre has not so far been started (November 1985) owing to non-availability of suitable accommodation.

(ii) The Sixth Plan proposal contained a provision of Rs. 1,45 lakhs for the development of 16* important tourist centres besides the development of primary circuits. Of the 16 centres, development of one (Ponmudi) was taken up and completed in March 1983 at a cost of Rs. 67.22 lakhs under another programme (Western Ghats Development Programme). No action was taken for development of the remaining centres. A provision of Rs. 1,45 lakhs was earmarked for the development of eight of these centres (Varkala, Guruvayur, Ezhimala, Cannanore, Idukki, Alleppey, Attingal and

*Kappad, Ponmudi, Varkala, Sabarimala, Malayattoor, Mambram, Kalady, Guruvayur, Ezhimala, Bekkal, Palaruvi, Cannanore, Idukki, Alleppey, Attingal and Kozhikode.



Kozhikode). Utilising these funds, guest houses were constructed at five places, namely, Varkala, Attingal, Malappuram, Trichur and Kovalam at a cost of Rs. 1,06.57 lakhs.

Government guest houses are mainly intended to cater to the needs of Ministers, officials, State guests, etc. The department itself felt, while reviewing (July 1984) Sixth Plan programme, that construction of guest houses, utilising the provision earmarked for development of tourist centres, was unlikely to have significant impact on development of tourism in the State.

3.5.05. *Construction of guest houses*

Administrative sanctions for construction of additional guest houses at seven places (Alleppey, Cannanore, Ernakulam, Kovalam, Attingal, Trichur and Kozhikode) at a total cost of Rs. 1,16.95 lakhs were accorded by Government between August 1980 and February 1981 and the works were entrusted to a State Government Company viz., Kerala State Construction Corporation Limited (KSCC) for execution.

Construction of the additional guest houses at Attingal, Kovalam and Trichur was started during 1981-82. Of these, the guest house at Attingal was completed by July 1983. The works at Trichur and Kovalam for which mobilisation advances amounting to Rs. 7.56 lakhs and Rs. 6.40 lakhs respectively were paid between January 1981 and July 1981 are still to be completed (April 1985) even though the works were due to be completed within 18 months from the date of payment of advance. The delay was attributed by the department mainly to frequent changes, that is, additions and alterations, suggested by the Chief Architect, PWD during execution although the original designs had been prepared by him. No detailed estimates had been prepared for the works and the ceiling cost of each work was fixed based on rough cost estimate prepared by KSCC on the basis of market rates. The ceiling costs for the works at Kovalam and Trichur fixed (September-December 1980) originally at Rs. 16 lakhs and Rs. 19.1 lakhs were later revised to Rs. 32 lakhs and Rs. 37.8 lakhs in July 1981 and again to Rs. 55 lakhs (April 1984) and Rs. 79.34 lakhs (January 1985) respectively. Under the agreement executed between the department and KSCC, payments for works were to be made as per actuals reflected in the books of the latter and there was no arrangement to enable the Department of Tourism/Public Works Department to verify the correctness of the figures. Payments made up to December 1984 for the works at Kovalam and Trichur amounted to Rs. 48.63 lakhs and

Rs. 29.55 lakhs respectively. Government stated in November 1985 that the additional guest house at Kovalam would be opened shortly and that the work at Trichur was in progress.

The works at Alleppey, Cannanore, Ernakulam and Kozhikode have not yet been commenced (December 1985). An advance of Rs. 1.20 lakhs paid to KSCC for these works as early as in February 1981 is still pending adjustment.

3.5.06. *Production and utilisation of tourism publicity materials*

(i) In July 1981, Government approved a proposal of the Director to appoint a private advertising/consulting agency of Trivandrum as the Advertising Consultant of the department. According to the proposal, the agency was to submit creative ideas to the department together with estimates and once the format was approved, the agency was to make arrangements for executing the job by getting quotations and selecting the right type of suppliers to produce quick results. No remuneration was payable to the agency which was expected to earn its remuneration from media owners and suppliers. It was noticed in Audit that the agency claimed 15 per cent commission from the media owners/suppliers. There was no arrangement to ensure that the media owners/suppliers did not inflate their rates so as to cover the commission payable by them to the agency and thus indirectly pass on the liability to the department. Entrustment of departmental functions to a private agency without adequate safeguards was not in the best interests of Government. According to Government, the agency was appointed mainly for designing publicity materials. Government stated (November 1985) that the question of prescribing terms and conditions for appointing publicity consultants to the Department of Tourism was under consideration, in consultation with the Public Relations Department.

(ii) On the recommendations of the consulting agency, Government accorded sanction in December 1982 for producing 50,000 copies of a tourist folder 'Kerala Kaleidoscope' through a Madras firm at a cost of Rs. 3.10 lakhs. Of the 50,000 copies, 35,000 were intended for the department and the balance 15,000 for KTDC. The agency was to be paid Rs. 0.07 lakh for art work and design. The Madras firm was selected by the agency on the basis of quotations obtained by it from three Madras firms. The printing was, however, actually got done by the agency through another Madras firm (which had not quoted for the item) at a cost of Rs. 3.10 lakhs (including

commission of Rs. 0.47 lakh paid to the agency by the firm) besides remuneration of Rs. 0.07 lakh for art work and design. Payment of commission was contrary to the terms of appointment of the consulting agency.

(iii) On the basis of quotations obtained through the consulting agency in April 1982, Government accorded sanction (November 1982) for printing 20,000 copies of a hand book 'Kerala Travel Facts' at an estimated cost of Rs. 0.38 lakh through a Trivandrum firm. The work was, however, got done by the agency through another Madras firm (which had not given any quotation) on the plea that the Trivandrum firm would not be able to complete the work in time, although no target date had been fixed. The Madras firm made the supply in March 1983 and was paid at the rate fixed for the Trivandrum firm. Of the 20,000 copies supplied, 15,000 were intended for sale at the rate of Rs. 2 per copy. Information regarding sale/distribution of the copies was not available in the stock registers maintained in the Directorate of Tourism.

(iv) In March 1983, the department printed 50,000 copies of 'Tourist Map of Kerala' at a total cost of Rs. 1.60 lakhs. Of these, 5,000 copies were set apart for free distribution to Government guests, VIPs, etc., and the balance 45,000 copies were to be sold at Rs. 3 per copy. No information regarding sale/distribution of these maps was available in the stock registers maintained in the Directorate of Tourism.

(v) KTDC had agreed to meet Rs. 1.14 lakhs out of Rs. 3.74 lakhs spent on bringing out 'Kerala Travel Facts' and 'Kerala Kaleidoscope'. But only a sum of Rs. 0.10 lakh had been paid by KTDC so far. In December 1983, KTDC informed the department that it was not in a position to pay the balance amount on account of shortage of funds. Government stated in November 1985 that the department was taking steps to get the share of printing charges reimbursed by KTDC.

3.5.07. *Unfruitful expenditure on production of documentary films*

In August 1980, Government accorded sanction to Kerala State Film Development Corporation Limited (KSFDC), a Government company, to produce a colour film on tourism week celebration 1980, with a view to utilising it for publicity abroad. The agreed cost of production of one print of the film (Rs. 0.78 lakh) was paid to KSFDC in two equal instalments in May 1981 and March 1982. In March 1981, Government decided not to use the film for outside publicity, as it was not made to its satisfaction. The expenditure

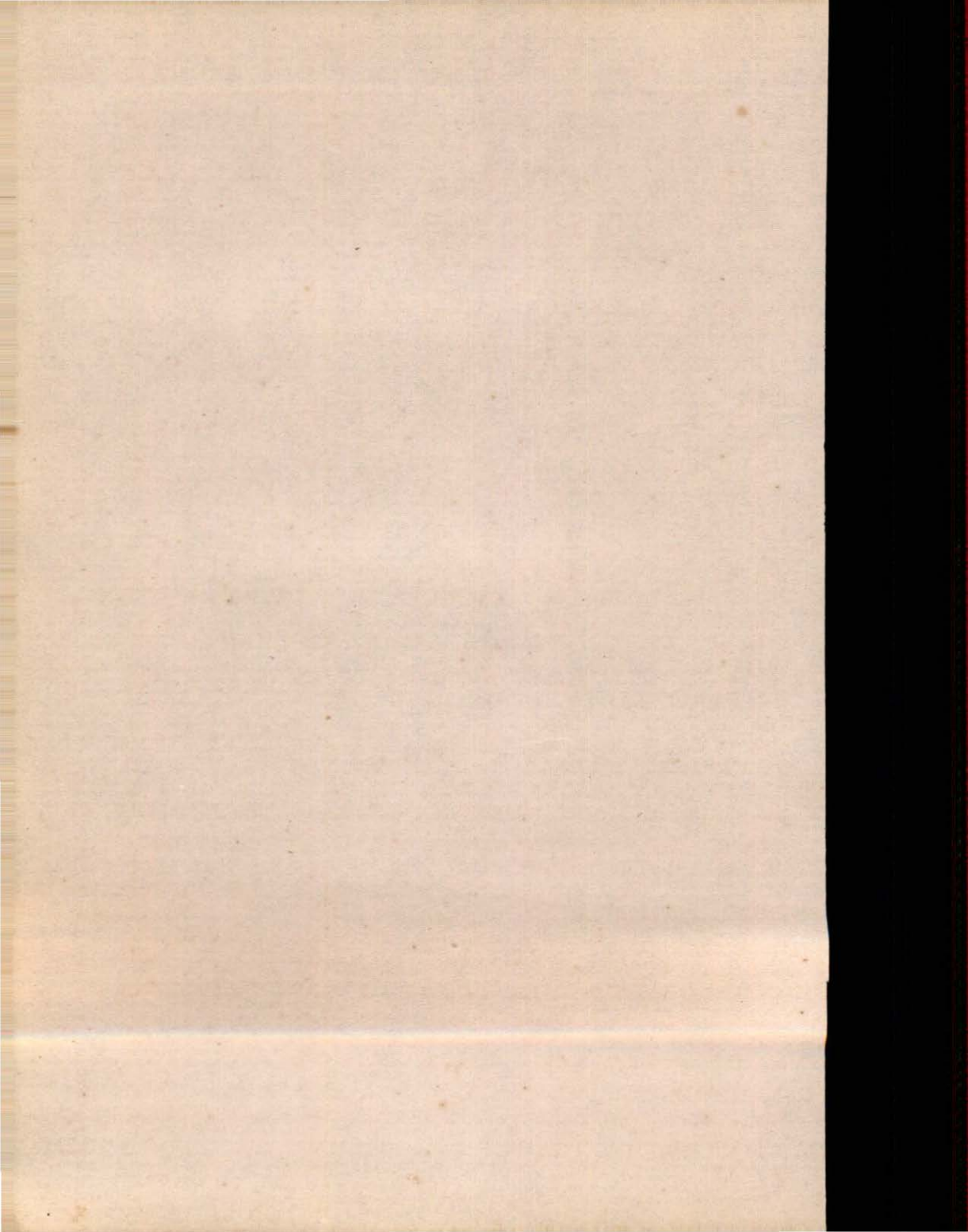
of Rs. 0.78 lakh thus became infructuous. The film was yet to be handed over to the department (October 1985). Government stated in November 1985 that the KSFDC had promised to hand over the film to the department after completing the work, immediately.

In August 1982, Government accorded sanction for production of a colour documentary film on tourism week celebration 1982 to be used for tourist publicity at an estimated cost of Rs.1.20 lakhs. The work was entrusted to KSFDC and part payment of Rs. 0.30 lakh made to it in October 1982. As the pageantry part of the 1982 celebration was cancelled, the film could not be completed as scheduled and KSFDC proposed to complete it by July 1983. The film was yet to be delivered (October 1985). Government stated (November 1985) that KSFDC had been directed to complete the film without including the proposed pageantry item and to hand it over to the Department of Tourism. Further developments are awaited (December 1985).

3.5.08. *Diversion of imported cars for non-tourist purposes*

(i) In January 1984, KTDC purchased three Mercedes Benz cars (cost: Rs. 15.09 lakhs) for the use of tourists visiting the State. However, instead of using the cars for tourists, KTDC hired them to the State Government from January 1984 itself. On 28th February 1984, KTDC offered to sell the cars to Government on the ground that it was badly in need of funds for completion of its major hotel projects. The purchase of the cars from KTDC at a cost of Rs.15.09 lakhs was sanctioned by Government in June 1984 and actual sale took place in November 1984. As the cars had been in use with the Government from January 1984 to November 1984 on hire (hire charges paid: Rs. 1.25 lakhs), the purchase of the cars at the cost price of Rs. 15.09 lakhs without taking into account their depreciation was not in order.

(ii) Four foreign cars were purchased (cost: Rs. 10.74 lakhs) by the department in June 1984 for the purpose of tourism promotion. According to the conditions stipulated by Government of India while granting permission for the import, the imported cars were not to be used as staff cars or for any purpose other than tourism. The cars were, however, allotted for the use of Ministers. The deviation from the conditions laid down by the Government of India had not been got ratified by it so far (July 1985).



3.5.09. *Financial assistance given by the department*

(i) For the promotion of tourist industry in the State, financial assistance in the form of share capital and loan is given by Government to KTDC. Total share capital paid to KTDC till the end of March 1985 amounted to Rs. 4.53 crores. Loan paid during the period from 1976-77 to 1984-85 was Rs. 1.59 crores.

The allocation of share capital and loan released by Government to KTDC for implementation of its hotel projects, expenditure incurred thereon and the progress of works as at the end of March 1985 were as given below:—

<i>Name of project</i>	<i>Assistance from Government</i>			<i>Expen- diture to end of March 1985</i>	<i>Date of commencement of work</i>
	<i>Share capital</i>	<i>Loan</i>	<i>Total</i>		
	<i>(in lakhs of rupees)</i>				
Cochin	59.46	19.50	78.96	81.30	August 1974
Kovalam	38.61	33.00	71.61	71.69	September 1978
Thampanoor (Trivandrum)	50.59	13.13	63.72	1,10.00	November 1979
Kumarakom	14.87	2.00	16.87	19.38	December 1979
Cannanore	9.31	..	9.31	9.69	February 1980
Bolgatty project	9.35	..	9.35	9.35	Not available

The project at Kovalam was completed in June 1981. Work at Thampanoor (Trivandrum) is in progress. At Cochin, while the shopping block was completed and commissioned as early as in 1979, work on the hotel block started in May 1979 was stopped in April 1982. Government stated in November 1985 that the stoppage of work was due to termination of the contract following discontinuance of work by the contractor firm and that KTDC had made alternative arrangements for resuming the work. Request of KTDC for a revised Cochin project costing Rs. 3,39.50 lakhs was being examined by Government. Further developments are awaited (December 1985). Works at the remaining three places had been postponed owing to paucity of funds.

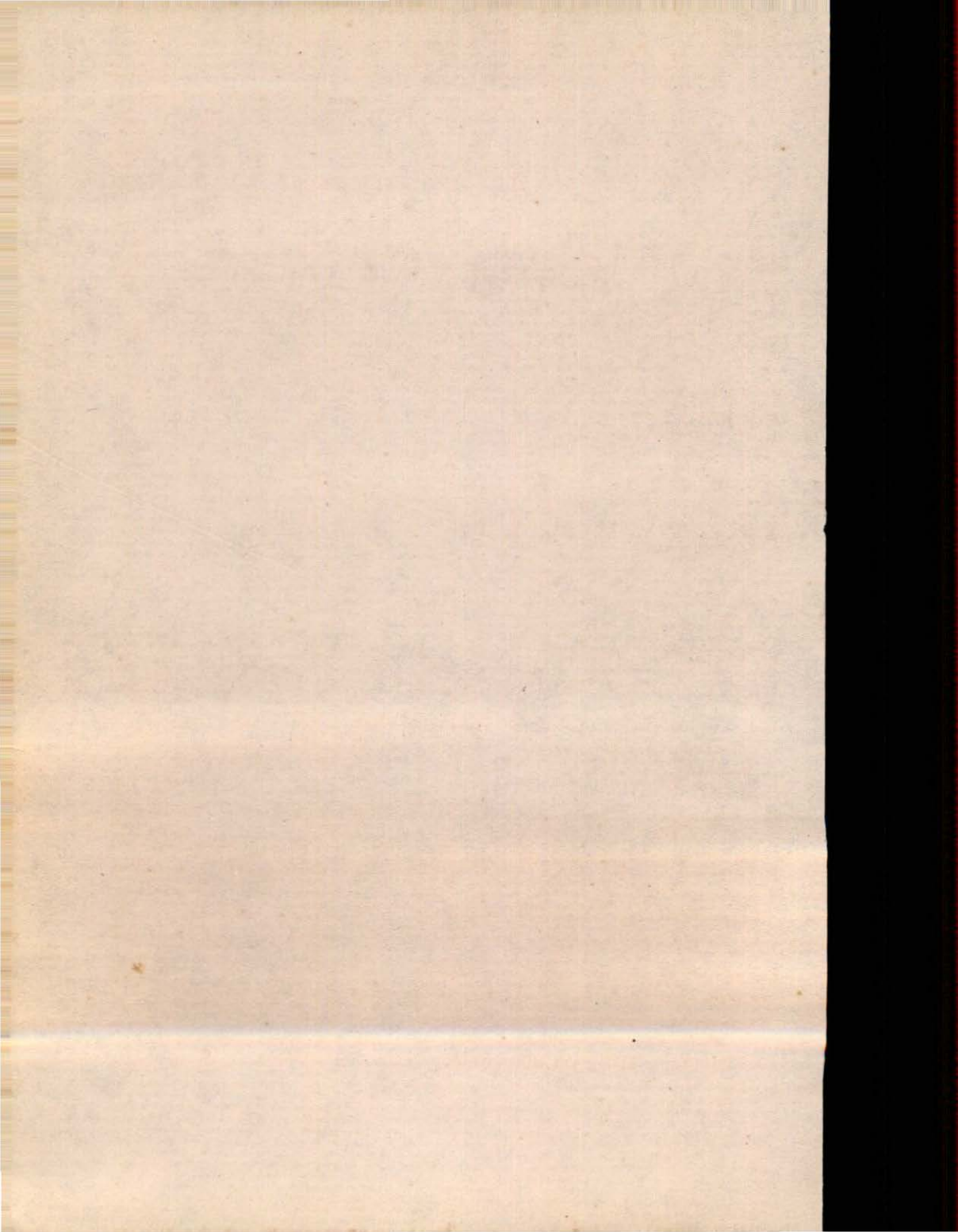
(ii) A youth hostel constructed at a cost of Rs. 4.90 lakhs by Government of India and handed over to the State Government has been functioning from March 1979, at Veli near Trivandrum. The management of the hostel

has been entrusted to a Managing Body constituted by Government. Government had stipulated that grant for running the hostel would be discontinued when the hostel becomes a self-supporting unit. However, no time-frame for the hostel to become self-supporting was prescribed by Government and even after six years since its establishment, Government continued to pay grants to it on the plea that its income was inadequate to meet its expenditure owing to the low occupancy rate. The percentage of occupancy during the years from 1979-80 to 1983-84 ranged between 1 and 39. The low rate of occupancy was attributed to (a) inadequate publicity, (b) location of the hostel which was not well connected with the rest of the city and (c) occupational and maintenance problems. Grants given by the State Government during the period from March 1979 to February 1984 for meeting recurring expenditure of the hostel (other than salary of Warden/Assistant Warden which is met by Government of India) amounted to Rs. 1.16 lakhs. Government stated (November 1985) that Veli was being developed into a major spot in the tourist map of Trivandrum and that development works were in progress.

(iii) In respect of loans given by Government to KTDC, the Director of Tourism was required to maintain detailed accounts and watch repayment of principal and payment of interest. But proper loan accounts and registers were not maintained in the Directorate and the dues on account of principal, interest and penal interest were not being worked out and demanded from KTDC. Government stated in November 1985 that the Director, Department of Tourism would be directed to maintain proper loan accounts and registers.

3.5.10. *Comprehensive proposals for development of tourism*

A Master Plan encompassing all the areas associated with tourism was got prepared in July 1978 through the Consultancy and Applied Research Division of the Administrative Staff College of India, Hyderabad. Government had also in hand two other reports—one prepared in 1977 by a former Director General of Tourism and Civil Aviation, Government of India and the other prepared in September 1983 by the State Planning Board. In October 1983, Government asked the Additional Director of Tourism in the department to formulate and submit comprehensive proposals based on the three reports. The proposals have not yet been submitted (December 1985). In November 1985 Government accorded sanction to get a Comprehensive Master Plan for development of tourism in Kerala prepared through the Asian Institute of Development and Entrepreneurship, Cochin. The Institute was expected to submit its report in January 1986.



B. Tourism Week celebrations

3.5.11. With a view to highlighting the tourism potential of the State and attracting tourists from within the country and from abroad, Tourism Week celebrations were conducted in the State during Onam season of 1980, 1981, 1982 and 1984. The *celebrations were conducted in Trivandrum, Ernakulam, and Kozhikode in 1980 and 1981 and were extended to Alleppey, Trichur and Palghat Districts in 1982 and to all the districts (except Wynad) in 1984. For these celebrations, Government sanctioned Rs. 10 lakhs in 1980, Rs. 22 lakhs in 1981, Rs. 32 lakhs in 1982 and Rs. 29 lakhs in 1984. These amounts were drawn by the Director of Tourism and distributed to different agencies as shown below:—

<i>District/Agency</i>	<i>Funds released for tourism week celebrations</i>			
	1980	1981	1982	1984
	<i>(in lakhs of rupees)</i>			
Trivandrum				
(i) Managing Director, KTDC	7.00	17.00	20.15	..
(ii) Director, Department of Tourism	..	..	1.50	14.00
District Collectors,				2.50
Quilon	..	..	..	0.25
Alleppey	..	..	0.50	0.25
Pathanamthitta	..	..	..	1.00
Idukki	..	..	..	0.25
Kottayam	..	..	..	0.25
Ernakulam	1.50	2.50	2.10	3.00
Trichur	..	..	4.00	3.00
Palghat	..	..	1.00	0.75
Malappuram	..	..	..	0.25
Kozhikode	1.50	2.50	2.75	3.00
Cannanore	..	..	..	0.25
Kasargod	..	..	..	0.25
Total	10.00	22.00	32.00	29.00

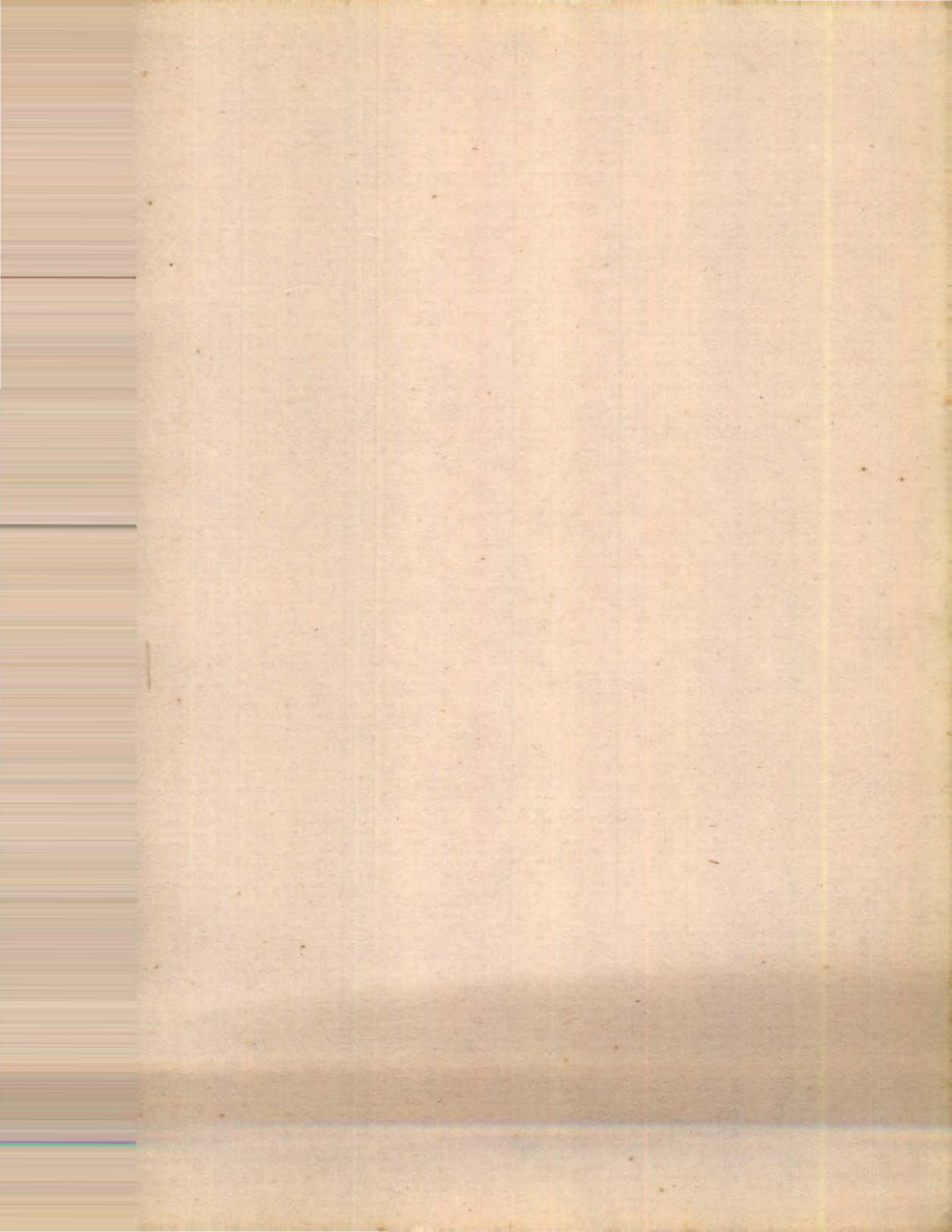
*There were no celebrations in 1983 and 1985 as the State was affected by a severe drought during 1983 and floods during 1985.

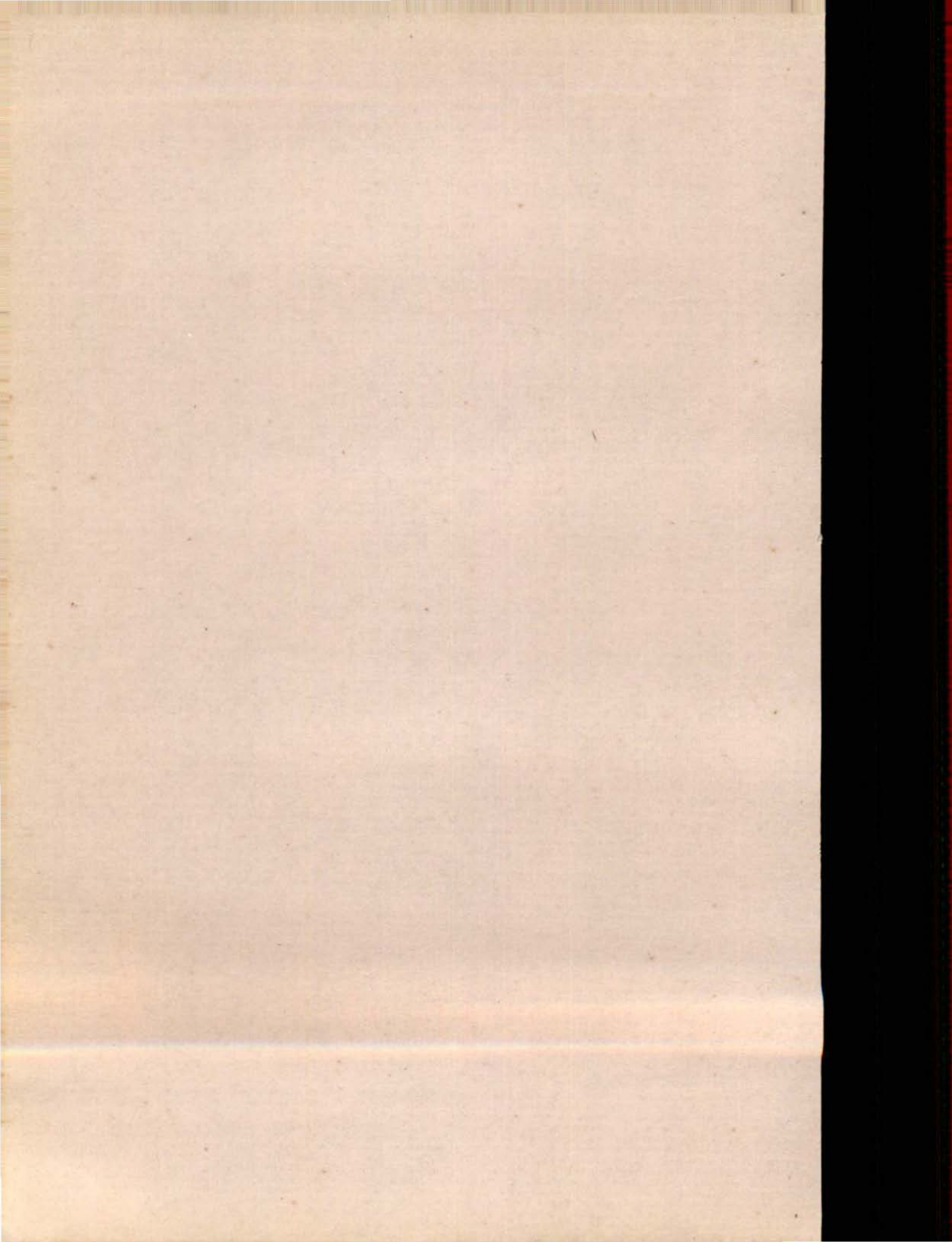
An Executive Committee (Steering Committee in 1984) at State level and District Committees at the district level were constituted for organising the celebrations. For the celebrations in 1980, 1981 and 1982, the Managing Director, KTDC, was the Treasurer of the Executive Committee. According to orders by Government issued in 1982, the Treasurer of the Committee (Managing Director, KTDC) was to compile the accounts and furnish them to the Director, Department of Tourism who was the general convener of the Committee. The latter was to place the accounts before the Executive Committee within 3 months of the celebrations and forward them for audit to an audit party (consisting of representatives of Finance Department and Local Funds Audit Department) constituted by the Government for the purpose. In districts other than Trivandrum, the accounts were to be compiled by the respective District Collectors. The audit party was to complete the audit of accounts of the celebrations in each district and submit a report to Government within 3 months of the celebrations. For 1984 celebrations, the Director of Tourism (general convener of the Steering Committee) was made responsible for maintenance of overall accounts. He was to prepare consolidated accounts of all the districts and place them before the Steering Committee for approval. The consolidated accounts as approved by the Steering Committee were to be presented within 3 months of the celebrations to the auditors appointed by Government.

The detailed final accounts of the celebrations had not been compiled by the Treasurer for 1980, 1981 and 1982 celebrations and by the General Convener (Director of Tourism) for 1984 celebrations and submitted to the Executive Committee/Steering Committee for approval of the accounts for different years.

Though the amounts allotted to each district were drawn by the Director of Tourism as advance, detailed bills duly supported by vouchers were not rendered to the Accountant General for adjustment of advances.

On a test-check of the tentative accounts available with the department, irregularities like execution of works without obtaining quotations, failure to obtain stamped receipts for payments, non-preparation of ticket accounts for film shows organised, absence of supporting details for vehicles hired, etc., were noticed.





Some of the significant cases are mentioned below:—

<i>Nature of irregularities</i>	<i>Year of celebrations</i>	<i>Amount involved (Rs. in lakhs)</i>
1. Failure to obtain quotations for printing works	1981	0.71
2. Failure to obtain quotations for works (light and sound arrangements)	1981	0.95
3. Absence of details of the purpose of journey, persons travelling, etc., for vehicles hired	1981	0.46
4. Payment of advertisement charges without production of voucher copies	1981	3.00
5. Payment of taxi charges for five trips between Trivandrum and Madras by classical music committee without indicating purpose of journeys	1982	0.16
6. Want of vouchers in support of payments	1982	0.90
7. Details of disposal of trophies procured for a water carnival which was, however, not conducted	1982	0.17

The accounts relating to the celebrations at Trivandrum as also consolidated accounts of the celebrations in all places have not been finalised yet (November 1985).

Some of the important points mentioned in the audit reports on the accounts of celebrations held in 1980, 1981 and 1982 in districts other than Trivandrum, submitted (in April-July 1983) to Government by the Examiner of Local Fund Accounts, are indicated below:—

<i>Year</i>	<i>Place</i>	<i>Nature of irregularities</i>	<i>Amount involved (Rs. in lakhs)</i>
1981	Ernakulam	Excess payment to contractor for pandal, galleries, stages, etc.	0.16
1981	„	Short collection of charges for advertisements published in a souvenir in connection with the Cochin Trophy Boat Race	0.22

<i>Year</i>	<i>Place</i>	<i>Nature of irregularities</i>	<i>Amount involved (Rs. in lakhs)</i>
1982	Ernakulam	Collection of funds without issuing cash receipts or coupons	1.93
1982	„	Depositing funds in fixed deposit in scheduled bank	3.00
1981	Kozhikode	Non-adjustment of advances paid for floats	0.40
1982	Trichur	Want of accounts for tickets printed for film shows	0.14
1982	„	Want of vouchers	0.38
1982	Palghat	Non-maintenance of cash book	
1982	Alleppey	Non-maintenance of cash book	

According to the audit reports of the Examiner of Local Fund Accounts, large amounts were remaining unspent with the implementing agencies (1980: Rs. 0.69 lakh; 1981: Rs. 2.64 lakhs; 1982: Rs. 4.47 lakhs).

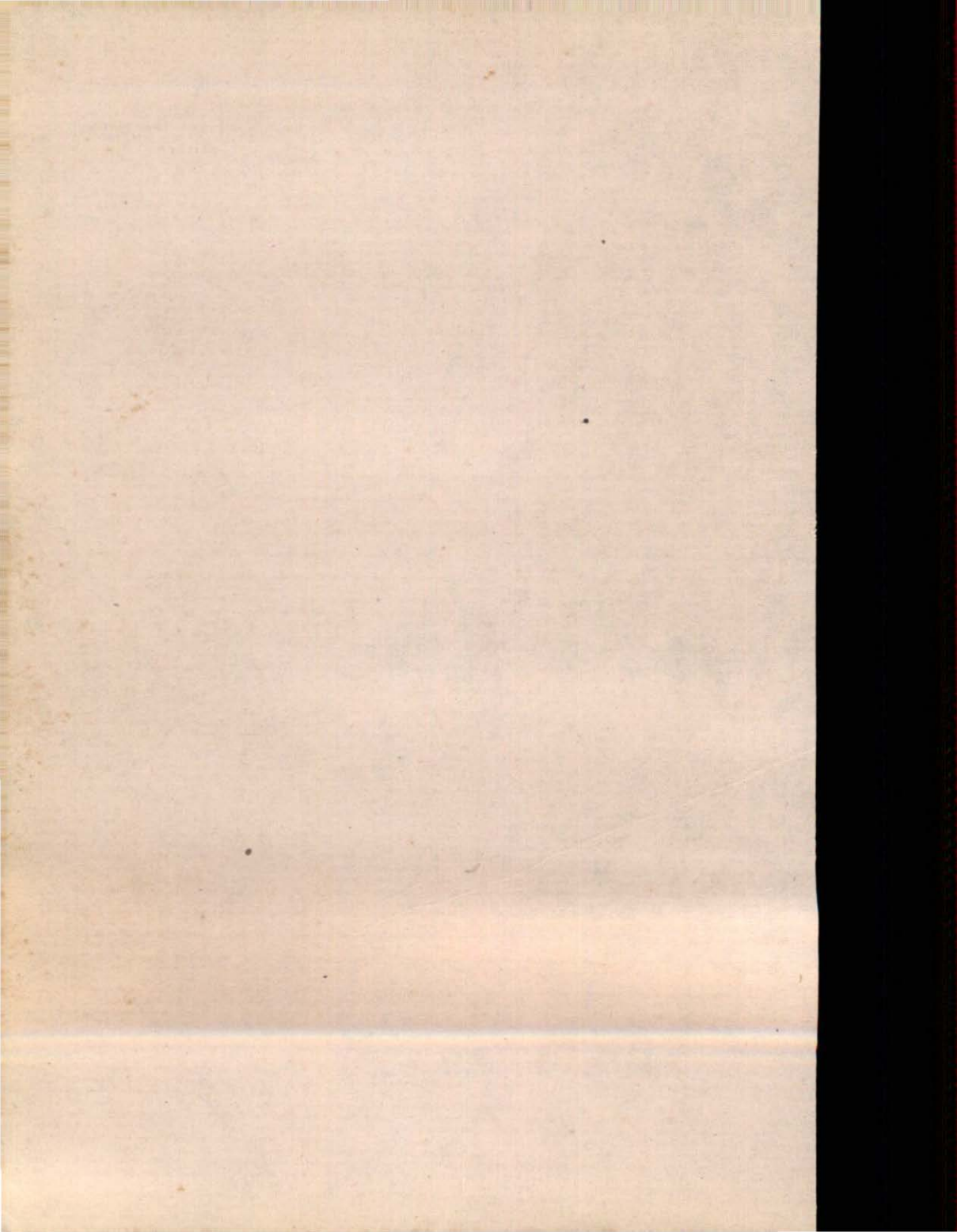
The unspent balances were deposited by the implementing officers/agencies in scheduled banks/treasuries and not refunded to Government (July 1985). As regards celebrations at Trivandrum, it was observed that Rs. 0.50 lakh out of the celebration funds were withdrawn by the Managing Director, KTDC in December 1984 and utilised for purposes of KTDC instead of crediting the amount to Government. Government stated (November 1985) that the Director of Tourism had been directed to go through the observations of Audit and to submit a detailed report to Government.

Summing up

Against the Plan provision of Rs. 10,96 lakhs for the period from 1969-74 to 1984-85, expenditure incurred during the period was Rs. 7,88.70 lakhs.

Out of five tourist information centres proposed to be opened during the Sixth Five Year Plan, only one centre has started functioning so far. Of the 16 tourist centres proposed to be developed, work at only one centre (Ponmudi) had been completed.

Construction of additional guest houses at seven places at a total cost of Rs. 1,16.95 lakhs was sanctioned between August 1980 and February 1981. Work at only one place had been completed so far.



Tourism publicity materials were got produced through a consulting agency without adequate safeguards.

Expenditure of Rs. 1.08 lakhs on production of documentary films remained unfruitful.

~~Seven~~ ^{Three} cars imported by KTDC at a total cost of Rs. ~~25.83~~ ^{15.09} lakhs for promotion of tourism were sold to Government immediately after purchase.

Hotel projects at five places commenced during 1980 and earlier years by KTDC and on which Rs. 2,29.72 lakhs had been spent remained incomplete.

Detailed accounts of the expenditure incurred on tourism week celebrations during Onam seasons of 1980, 1981, 1982 and 1984 were pending finalisation. Unspent balance amounting to Rs. 7.80 lakhs has not been refunded to Government.

GENERAL EDUCATION DEPARTMENT

3.6. Universal elementary education in the age group 6-14

3.6.1. Lower and upper primary education

Article 45 of the Constitution of India envisages provision of free and compulsory education for all children until they complete the age of 14 years. To achieve this objective, the programme "Universalisation of Elementary Education" was included in the successive Five Year Plans and also in the new '20-Point Programme' launched in January 1982. Under the programme, it is proposed to achieve complete coverage of all children in the age group 6-14 by 1990, besides improving the quality of education by providing suitable buildings and adequate equipments.

At the beginning of Sixth Plan period, it was estimated that out of 50.74 lakh children in the age group 6-14 in Kerala, about 10 per cent were outside the schools and it was proposed in the Sixth Plan to provide facilities for additional enrolment of these children. In July 1984, a Committee appointed by the State Government estimated the enrolment ratio for 1981 as 96.42 per cent and 86.15 per cent for the age groups 5-9 and 9-14 respectively, the combined ratio being 91.41 for the age group 5-14.* The expenditure (both Plan and

*The Committee took the age group as 5-9/5-14 instead of 6-9/6-14, as the minimum age for admission in standard I is 5 years in Kerala.

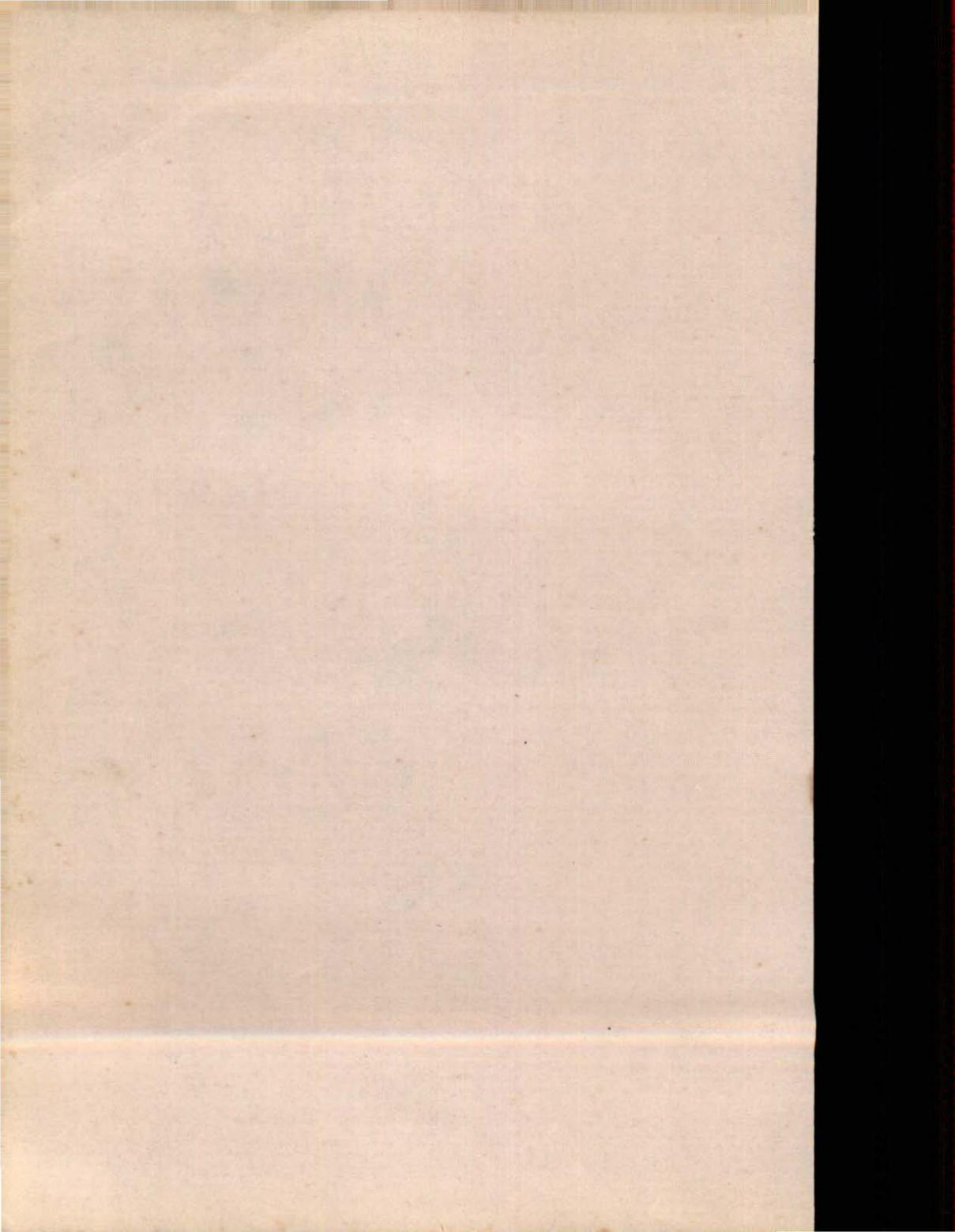
non-Plan) on primary education during the period 1980-81 to 1984-85 amounted to Rs. 7,25.11 crores.

An audit review of the implementation of the scheme was conducted (January-June 1985) with reference to the records of the Director of Public Instruction (DPI), State Institute of Education, Institute of Primary Education, Trichur and Assistant Educational Offices. The review disclosed the following points:—

(1) Enrolment of children in the age group 6-11 which was 32.28 lakhs (boys: 16.65 lakhs; girls: 15.63 lakhs) in 1979-80, declined to 31.31 lakhs (boys: 16.10 lakhs; girls: 15.21 lakhs) by 1984-85, while the enrolment in the age group 11-14 rose from 15.91 lakhs (boys: 8.39 lakhs; girls: 7.52 lakhs) to 17.19 lakhs (boys: 8.87 lakhs; girls: 8.32 lakhs) during the same period. As the department had not conducted any survey to estimate the number of children in these age groups, it was not known whether there was any shortfall in coverage. There was also no departmental survey of drop-outs until 1981-82, when a sample survey on wastage and drop-outs was undertaken. The report on survey has not been published as it was yet to be approved by the DPI (January 1986).

A study on drop-outs in primary education for the year 1975-76, conducted by the State Planning Board, pointed out that the percentage of drop-outs was 10 in the lower primary section (Standards I to IV) and 9.2 in the upper primary section (Standards V to VII). The reasons adduced for wastage in the form of drop-outs were (a) ill health (32.8 per cent), (b) household work (16.1 per cent), (c) employment (4.2 per cent), (d) distance of school (2.5 per cent), (e) poverty (15.4 per cent), etc.

While enrolment of children in the age group 6-11 recorded a decrease of 0.97 lakh children during the period 1979-80 to 1984-85 as mentioned above, 417 new lower primary schools (including un-aided schools) were sanctioned during this period. The reason for sanctioning such a large number of schools when enrolment was on the decline (by about 3 per cent) is awaited (July 1985). Similarly, while the enrolment in the age group 11-14 (Standards VI to VIII) increased by 1.28 lakh children or only about 9 per cent during the same period, the number of upper primary schools (2,822) as on 1st July 1984 recorded a marked increase of about 24 per cent compared to 1978-79. Sanctioning of new schools had resulted in the increase of 'teachers who had practically no work' but were kept on rolls as 'protected teachers'. The details of such teachers and the amount of salary paid to them for the period from



1979-80 to 1984-85 called for from the Department (February 1985) were awaited (January 1986). However, it was stated by the DPI in June 1984 that more than Rs. 4 crores were being spent annually on these teachers.

(2) *Construction of buildings for lower and upper primary schools*

In October 1982, district level committees were constituted for an on-the-spot study and to make recommendations fixing priorities for construction of schools. Accordingly, a priority list was prepared which indicated that 393 primary schools (lower: 326; upper: 67) had neither land nor building, 159 schools (lower: 134; upper: 25) had land but no buildings, 115 primary school buildings needed reconstruction and 618 primary schools needed additional accommodation. The schools without buildings of their own were housed in hired buildings/temporary sheds. A test check of the records maintained by the Deputy Directors of Education (DDEs), Trichur, Palghat, Alleppey and Quilon showed that a sum of Rs. 3.18 lakhs was being paid annually towards rent for 151 schools. The details of rent paid for schools in other districts are awaited (January 1986). In September 1983, Government approved the priority list and instructed the PWD to prepare and submit through DPI, estimates for construction of 1,285 school buildings for purpose of administrative sanction. Government stated (January 1986) that in view of the heavy commitment on ongoing works, they could not proceed further to issue administrative sanction for new works until the backlog was cleared.

(3) *Supply of furniture to departmental lower primary and upper primary schools*

According to an assessment made by DPI in 1983-84, items of furniture required by the departmental primary schools in Kerala were as follows:—

<i>Items of furniture</i>	<i>Number required</i>
Benches	7,765
Desks	8,085
Black boards	885
Armless chairs	1,655
Armed chairs	790
Tables without drawer	1,275
Tables with single drawer	670

During 1983-84, sanction was accorded by Government for the purchase of the following items of furniture:—

Benches	3000	Nos.
Desks	5,000	,,
Table without drawer	1,605	,,
Black boards	1,120	,,
Chairs with arm	250	,,

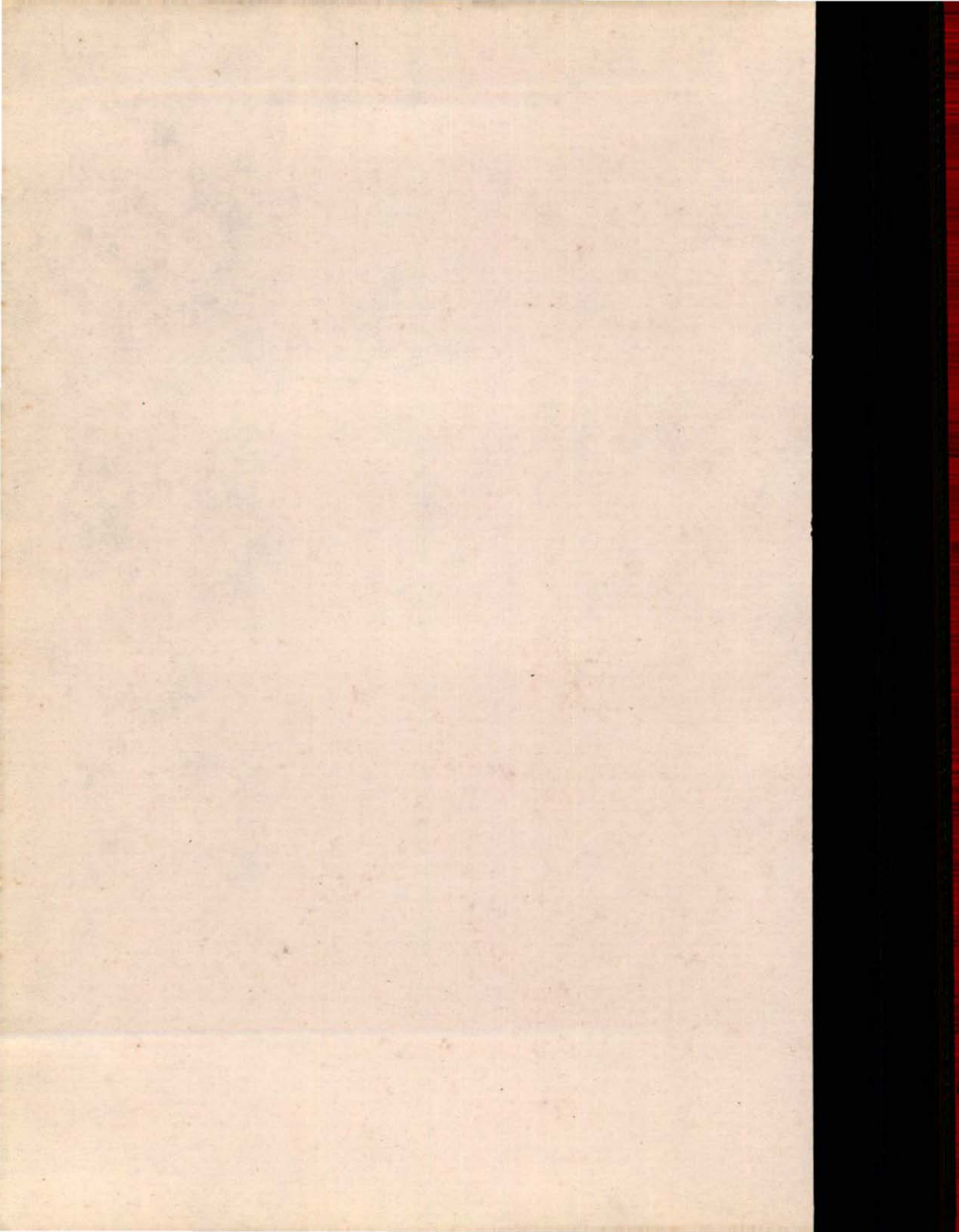
The supply was effected during 1983-84. However, the benches and desks purchased were far short of the requirements and could not therefore be supplied to many needy schools.

3.6.2 *Scheme of incentives/awards for promotion of elementary education for girls*

Under a new scheme of awards introduced in September 1983 for encouraging education of girls, Government of India sanctioned (March 1984) awards for a total sum of Rs. 157 lakhs to the State Government. The award money (paid in March 1984) was meant to be utilised for construction of primary school buildings preferably in backward districts (Rs.150 lakhs) and for increasing the coverage of girls, particularly those belonging to economically weaker sections and scheduled castes/tribes through non-formal education centres. The State Government placed (February 1985) the amount at the disposal of DPI. Out of it, Rs. 129.97 lakhs were released to about 1,400 schools in March 1985 for construction of 1,857 blocks of urinals and lavatories at Rs. 7,000 per block. The money was drawn from the treasury and deposited in treasury savings bank accounts to be jointly operated by the headmaster and the president of the Parent-Teacher Association. Out of the amount so deposited Rs. 110.60 lakhs were spent for construction of urinals in 1,580 schools till November 1985, leaving a balance of Rs. 19.37 lakhs in the deposit account. Another sum of Rs. 27.03 lakhs was released by DPI in March 1985 to various DDEs for utilisation on works for improvement of educational facilities for girls. This amount too was deposited in the treasury savings bank accounts to be operated jointly by the concerned DDE and the Accounts Officer of his office. Withdrawal of money from the Consolidated Fund with no prospect of its immediate utilisation was irregular.

3.6.3 *Schemes in the tribal sub-plan area*

(1) In June 1978, Government sanctioned the opening of 21 lower primary schools in tribal areas in 7 districts.



A scrutiny of the enrolment of children in 17 schools test checked (out of the 21 schools) revealed the following:—

(i) Out of 569 children enrolled in first standard during 1979-80, only 298 children continued their studies, reaching fourth standard in 1982-83; the remaining 271 children (about 48 per cent of enrolment) had dropped out.

(ii) There was a steep fall in the enrolment of children in first standard from 569 in 1979-80 to 375 in 1984-85. This was attributed to location of schools in hilly tracts and want of accommodation facility in the areas.

(iii) Average strength of pupils in each standard varied from 16 to 18 during 1982-83, 16 to 25 during 1983-84 and 14 to 22 during 1984-85. In one school, Government Tribal Lower Primary School, Gottikarkandi there were only 21 pupils in 1982-83, the average strength in each class being as low as 5. There were also other schools with average pupil strength of less than 10, the number of such schools being 1 during 1980-81 and 1981-82, 2 during 1982-83 and 1983-84 and 4 during 1984-85. During 1984-85, there were only 3 pupils (1 in second standard and 2 in third standard) in Government Tribal Lower Primary School, Champakad (Idukki District).

(iv) The strength of teachers in 17 schools, covered in test-check was also less than the requirements; the shortfall ranged between 6 and 16 during the period 1979-80 to 1984-85. The number in position during 1982-83 was 49 against the requirement of 65. The working strength increased to 57 by 1984-85 but still fell short of the sanctioned strength of 68.

In Government Tribal Lower Primary School, Thekkady (Palghat District), against the sanctioned strength of 3 teachers during 1980-81 and 4 teachers during 1981-82 and 1982-83, only one teacher was working. Similarly, in Government Tribal Lower Primary School, Champakathozhu (Idukki District) against the sanctioned strength of 3 teachers, only one teacher was in position during 1980-81. Want of accommodation for the staff was stated to be the main reason for posts remaining unfilled.

(v) No survey regarding the availability of children for enrolment was conducted before starting the schools. Further, the schools located in forest areas in tribal pockets, were without suitable buildings and sufficient furniture.

(2) *Construction of building and staff quarters for tribal schools.*

A sum of Rs. 13.75 lakhs was provided during the years from 1979-80 to 1983-84 for construction of school buildings and staff quarters for the lower

primary schools started in the tribal areas. The expenditure on this account to the end of 1983-84 was Rs. 9.34 lakhs.

It was proposed to construct buildings and staff quarters for 21 schools during Sixth Plan period. Upto June 1985, construction of buildings was started only for 10 schools; out of these, construction was completed only for 2 schools and was incomplete, at different stages, in the case of the remaining 8 schools. The delay in construction was stated to be due to non-payment of contractors' bills, shortage of MS rods and inadequacy of budget provision. In the case of the other remaining 11 schools, construction works had not yet been started (June 1985) due to non-execution of agreements (3 cases), non-acceptance of tenders/quotations (3 cases), non-receipt of tenders/quotations (2 cases), non-availability of land (2 cases) and non-tendering of work (1 case).

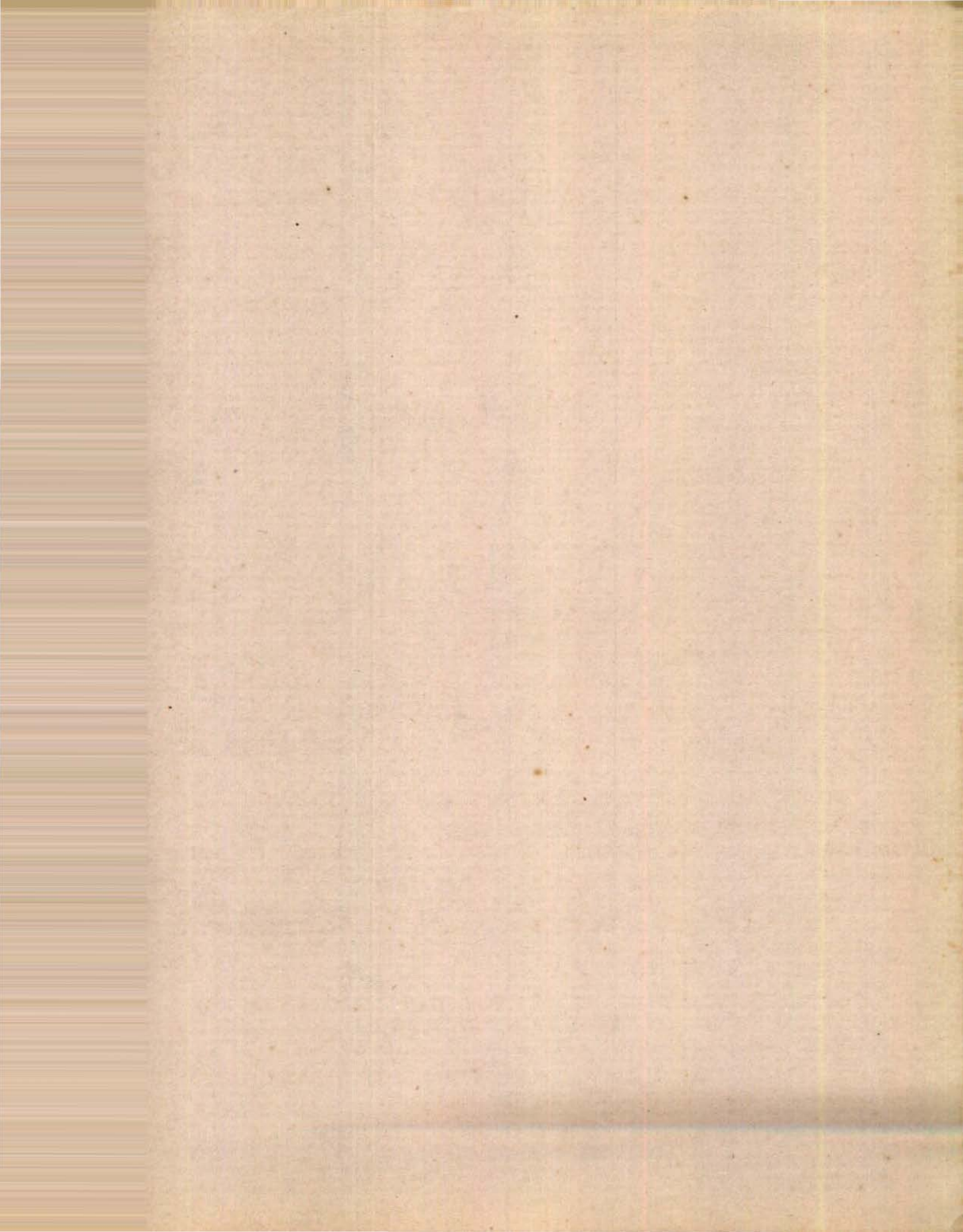
(3) *Supply of furniture to tribal schools*

During 1979-80 to 1983-84, Rs. 22.31 lakhs were spent on purchase of furniture for the new lower primary schools in tribal areas. It was proposed to supply the required furniture to the 21 new tribal schools on a priority basis. Test-check showed that no item of furniture was supplied to one school (Thunakadavu), desks had not been supplied to 5 other schools and that another school (Thekkady) got only 1 desk, 1 black board and 1 table without chair. Non-availability of buildings for the schools was stated to be the reason for non-supply of furniture.

3.6.4 *Institute of Primary Education, Trichur*

(1) The Institute (established in March 1971) conducts in-service training courses for teachers. Owing to the time-lag between completion of one course and commencement of the next course, the technical staff had practically no work for 22 months out of 60 months during the period 1980-81 to 1984-85. This was attributed to want of funds and classes not being held during midsummer vacation in order to avoid vacation staff being treated as non-vacation staff with attendant liabilities.

(2) With the object of conducting research in various subjects, 4 posts of Research Assistants were sanctioned for the Institute—2 posts in August 1971 and 2 in February 1979. Though the posts had been filled up, no research work had been conducted and no research paper submitted so far. Government stated (January 1986) that there were no qualified Research Assistants in the Institute to do reasearch work.



(3) The Institute has 19.77 acres of dry land and 3.71 acres of wet land. Paddy was cultivated in the wet land till March 1976 when it was discontinued. No action was taken to resume cultivation in the wet land and to start cultivation in the dry land. The reasons attributed by Government for non-cultivation of wet land were (i) scarcity of water and (ii) low price of paddy.

3.6.5 *Non-formal education of children in the age group 6-14*

(1) With the main object of giving non-formal education to children in the age-group 6-14, who were either drop-outs or had never been to schools and to enable them to re-enter school at appropriate levels, Government, in November 1977, sanctioned an experimental project for non-formal education. It was launched as a part of the scheme 'Universalisation of Elementary Education', in the year 1977-78 by opening 25 non-formal education centres in areas where drop-outs were heavy. During 1978-79 and 1979-80, 200 centres were added each year increasing the number of centres to 425 by the end of 1979-80. These centres were attached to lower primary schools and upper primary schools so as to utilise their equipment and other facilities for conducting non-formal classes. Teachers from the schools were to be engaged on part-time basis for teaching in these centres at the rate of 2 teachers for each centre on monthly honorarium of Rs. 60 per teacher.

Children who were on rolls of recognised schools were not to be enrolled in these centres. The optimum number to be enrolled in a centre was fixed at 40. The Assistant Educational Officers were to supervise the centres. The expected optimum coverage of children at these centres (at the rate of 40 children per centre) and the coverage reported to Government by the State Institute of Education in March 1981 as against the target were as follows:—

<i>Year</i>	<i>Number of centres</i>	<i>Optimum number of children to be covered</i>	<i>Actual coverage reported</i>
1977-78	25	1,000	600
1978-79	225	9,000	7,000
1979-80	425	17,000	10,000

The correctness of the reported coverage could not be verified by Audit as the relevant records were not made available for scrutiny.

(2) A detailed survey of the scheme by the State Adult Education Officer in 1981 revealed the following:—

(i) Out of 425 centres opened upto 1980-81, only 204 centres were functioning, with varying strengths as under:—

<i>Number of centres</i>	<i>Enrolment per centre</i>
72	Less than 20
94	Between 20-30
38	More than 30

(ii) Though the scheme was intended for non-formal education, children going to regular schools were admitted in many centres.

(iii) While a sum of Rs. 13.36 lakhs was spent on the scheme, its impact was negligible. The failure of the scheme was attributed to lack of interest on the part of pupils, low economic and social status of their families, non-orientation of teachers for teaching classes of heterogeneous nature, non-supply of guide books, lack of public co-operation, etc. Report of the State Adult Education Officer was referred by Government to the Director of State Institute of Education, and on his advice (July 1981) the scheme of non-formal education was discontinued from 1981-82.

(3) Work books and hand books for the scheme, prepared in 1979-80 at a cost of Rs. 0.48 lakh, were not distributed to the centres and were still lying in the Institute (January 1986). With the closure of the centres in 1981-82, the expenditure proved infructuous. Fifty-eight tonnes of paper valued at Rs. 4.65 lakhs, received from the Government of India between December 1981 and November 1983, under Commodity Assistance Programme for preparation of educational learning/teaching materials were also remaining unutilised (January 1986).

Summing up

The enrolment of children in the age group 6-11 declined from 32.28 lakhs in 1979-80 to 31.31 lakhs by 1984-85.

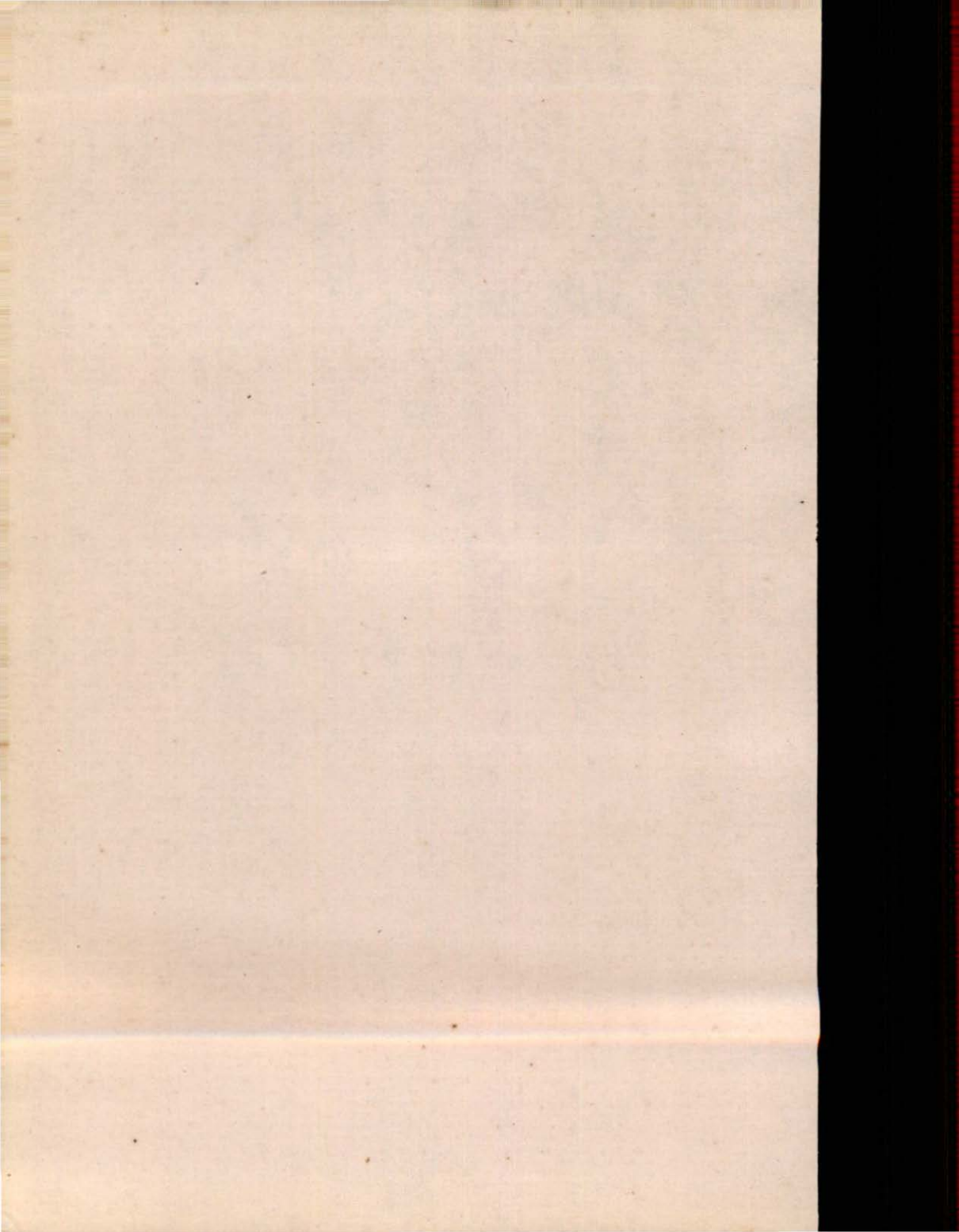
Despite marked decline in enrolment, 417 new lower primary schools were sanctioned during 1979-80 to 1984-85.

While the enrolment of children in the age group 11-14 increased only by 9 per cent during 1979-84, the number of upper primary schools recorded a marked increase by 24 per cent.

A study conducted in October 1982 revealed that there were 393 primary schools which had neither land nor building of their own and that another 159 schools had land but no buildings.

Out of Rs. 157.00 lakhs received from Government of India for construction of school buildings in backward areas and for increasing the coverage of girls, Rs. 110.60 lakhs was spent on construction of urinals and the balance remained unutilised.





Average strength of pupils in 17 tribal schools (out of 21 sanctioned in June 1978) varied from 16 to 18 during 1982-83, 16 to 25 during 1983-84 and 14 to 22 during 1984-85. In one school the average strength in each class was as low as 5.

Though construction of buildings and staff quarters for 21 schools was proposed during Sixth Plan period, it has been completed only in 2 schools (November 1985).

The scheme of non-formal education of children in the age group 6-14 launched in the State in 1977-78 was a failure and was discontinued from 1981-82.

3.7. Adult Education Programme

National Adult Education Programme (NAEP) was launched in the State on 2nd October 1978. The main objectives of the programme are to (i) enable illiterate adults to attain better knowledge and skills in their occupation and home management besides permanent functional literacy and numeracy and (ii) raise the level of social awareness of the learners. As part of NAEP, two schemes, viz., State Adult Education Programme (SAEP) and Rural Functional Literacy Programme (RFLP) are implemented in the State, the former through the State Adult Education Department and the latter through the Development Department.

An audit review of the programme conducted during January-June 1985 with reference to the records maintained in the office of the State Adult Education Officer, 5 District Adult Education Offices and 4 Community Development Blocks disclosed the following points:—

A. General

(i) The Budget provision for the 2 schemes and expenditure thereon during the period 1978-79 to 1984-85 were as under:—

Year	State Adult Education Programme				Rural Functional Literacy Programme	
	Provision		Expenditure		Provision	Expenditure
	Plan	Non-Plan	Plan	Non-Plan	Plan	Plan
	<i>(In lakhs of rupees)</i>					
1978-79 and 1979-80	37.82	1.13	29.84	5.82	9.00	9.63
1980-81 to 1984-85	2,94.55	6.68	13.85	41.50	1,08.88	1,11.71

The savings under SAEP under Plan during 1980-81 (Rs. 78.85 lakhs) and 1981-82 (Rs. 84.33 lakhs) were due to non-finalisation of the scheme for payment of assistance to voluntary organisations.

(ii) Out of a total of 50 lakh illiterates in the State as per 1971 census, NAEP aimed at covering, in a phased manner during the period from 1978-79 to 1982-83, 13.5 lakh illiterates in the age group 15-35 by opening 45,000 adult education centres. Against this, the number of centres opened and illiterates covered till the end of 1982-83 were 16,522 (37 per cent) and 4.4 lakhs (33 per cent) respectively. The Director of Public Instruction attributed the shortfall in coverage to non-achievement of targets by various voluntary agencies like KANFED*, Mahila Sangham, Nehru Yuvak Kendra, Sramik Vidyapeeth, etc.

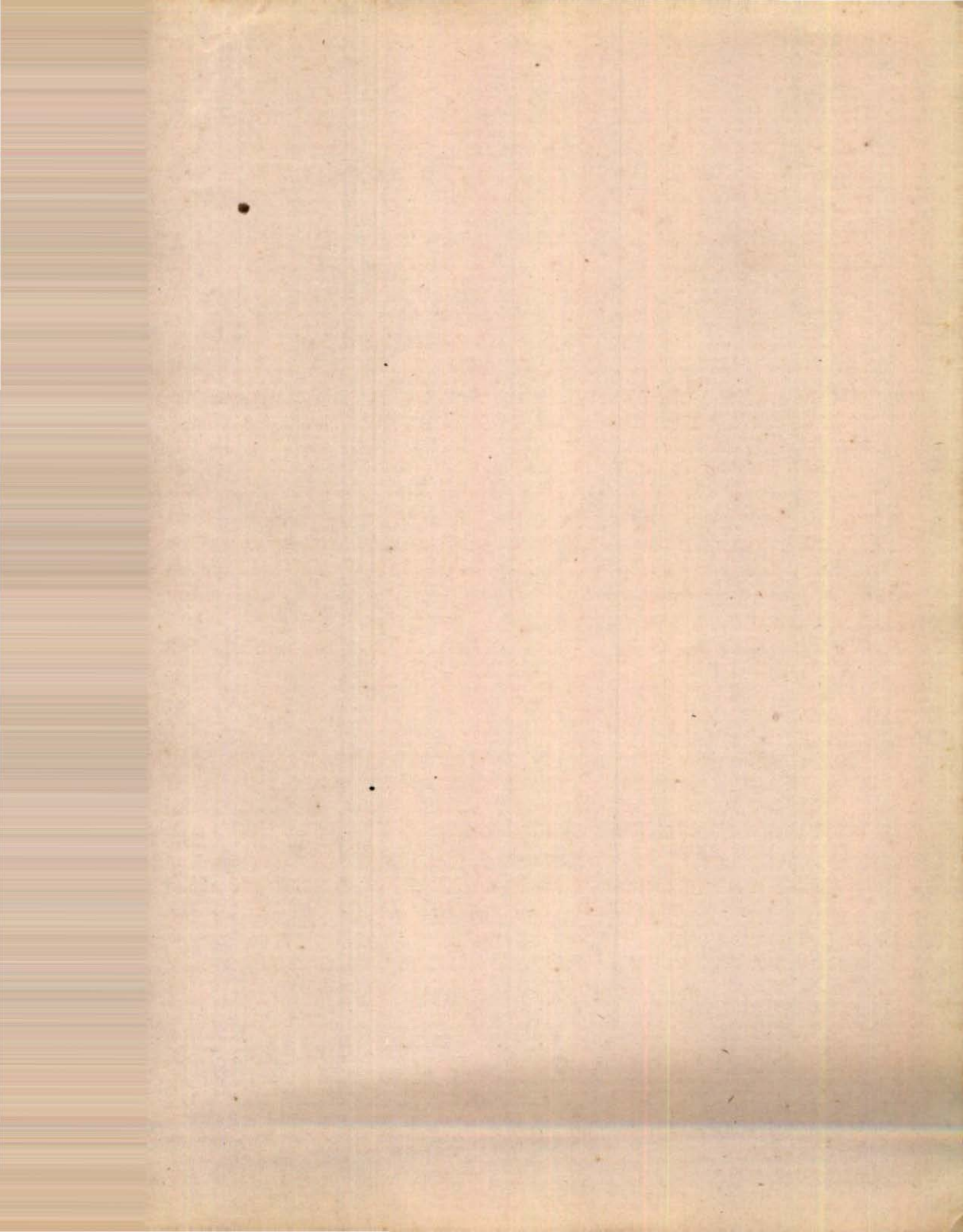
According to 1981 Census, the number of illiterate population in the age group 15-35 had increased from 13.5 lakhs in 1971 to 30.5 lakhs in 1981. Based on the new 20-point programme announced by the Government of India in January 1982, the target was revised to cover the entire illiterate population coming within age group 15-35 by the end of 1990. On the recommendations of the State Government, the targets were fixed by the Central Government as one lakh each for 1983-84 and 1984-85. The actual coverage was 0.77 lakh during 1983-84 and 1.08 lakhs during 1984-85. Reasons for the shortfall during 1983-84 are awaited from the department.

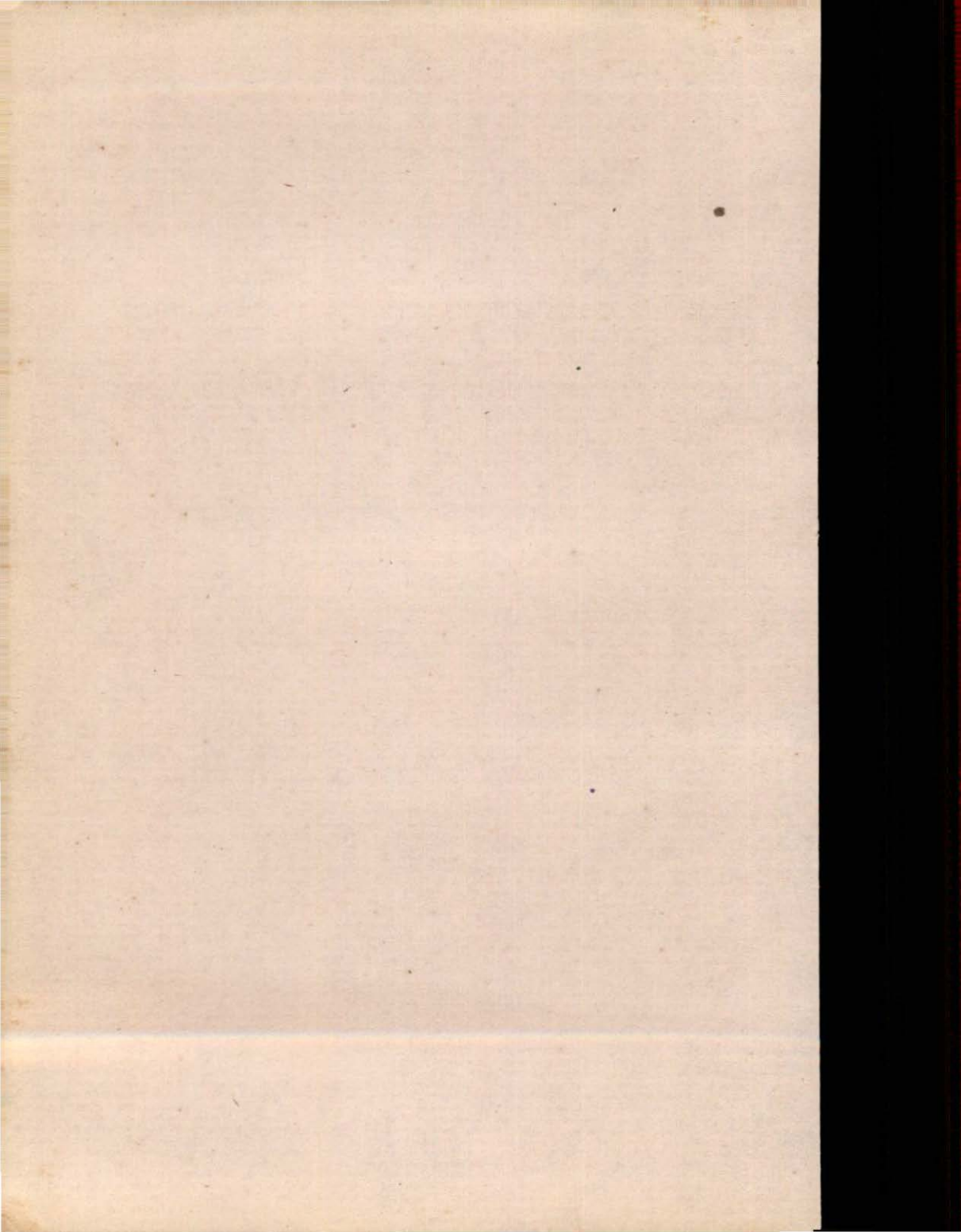
B. State Adult Education Programme

(i) When the programme was launched in October 1978, 130 Adult Education Centres were started through voluntary agencies in 10 districts (20 centres each in Trivandrum, Malappuram and Kozhikode; 10 centres each in the other districts). Of these, only 76 centres completed the course of duration extending to 10-12 months. As regards non-completion of the courses by the remaining 54 centres, the Director of Public Instruction stated (November 1985) that the exact reasons therefor were not known and that the courses might have been discontinued owing to the number of learners falling below the prescribed minimum of 30. An expenditure of Rs. 0.24 lakh spent on these 54 centres proved unfruitful.

(ii) In December 1978, Government accorded sanction for conducting a survey on adult illiteracy in all the districts of the State for collecting such information as would enable identification of pockets/areas where adult

* Kerala Association for Non-Formal Education and Development.





education centres were most needed. The survey was conducted in Idukki District by the District Collector and in all the other districts by the Bureau of Economics and Statistics. A consolidated report of the survey was sent to Government in June 1981 by the State Adult Education Officer; but no follow up action has been taken by Government. The expenditure on the survey amounted to Rs. 5.70 lakhs.

(iii) Before completion of the survey for identification of needy areas, the State Adult Education Officer drew in March 1979 a sum of Rs. 10 lakhs and distributed the amount among District Collectors of 5 backward districts (Idukki, Palghat, Malappuram, Kozhikode and Cannanore) for starting adult education centres on *ad hoc* basis in the absence of data on most needy and vulnerable areas.

No centres were opened by the department in Trivandrum, Idukki and Trichur Districts till 1982-83 and in Quilon, Ernakulam and Alleppey Districts till 1983-84. Centres were opened for the first time in Kozhikode, Palghat and Kottayam Districts during 1979-80, 1980-81 and 1981-82 respectively. While there were thus no activities in the districts for long periods, the required staff had been posted from 1979-80 onwards. The expenditure on staff of these districts for the period when there was no worthwhile activity amounted to Rs. 14.80 lakhs approximately.

Out of Rs. 8 lakhs given to the District Collectors of Kozhikode, Cannanore, Palghat and Malappuram in March 1979 for starting adult education centres, an amount of Rs. 0.36 lakh is still remaining unutilised. The details of utilisation of the amount of Rs. 2 lakhs given to the District Collector, Idukki are awaited (November 1985).

(iv) According to the approved pattern of assistance, funds required for strengthening administrative structures are provided by the Central Government. The staff for State and District level offices were sanctioned in September 1978 and March 1979 respectively. The Government of India released Rs. 0.32 lakh in 1978-79 and Rs. 0.54 lakh in 1979-80 towards the cost of staff at the State level. No grant was claimed and received from the Government of India for administrative structures at the district level from 1979-80 and at the State level from 1980-81 onwards, even though the staff continued to be employed. The department stated (November 1985) that steps were being taken for claiming Central assistance.

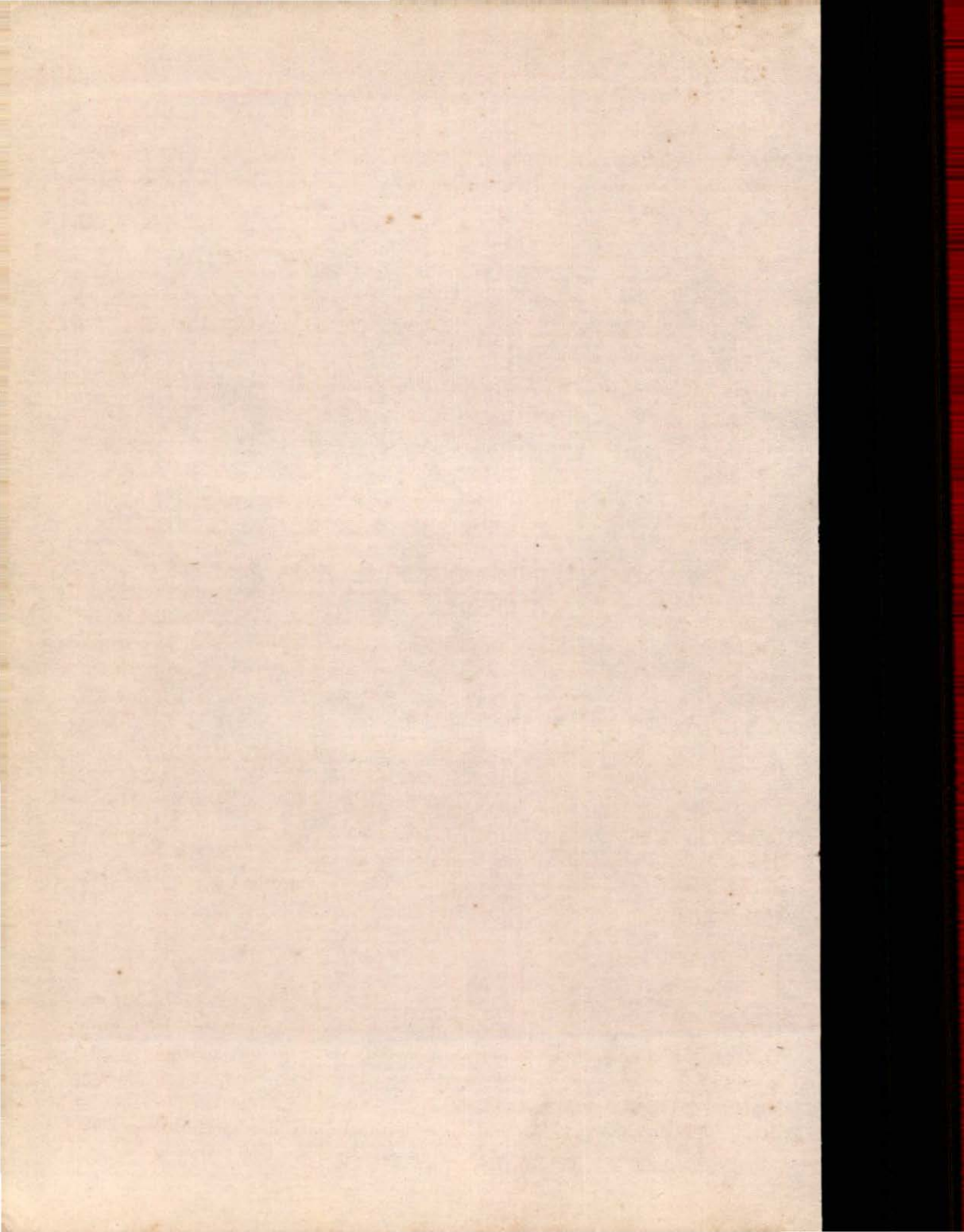
(v) In March 1980 Government accorded sanction to the State Adult Education Officer to purchase 11 Ambassador cars under DGS&D rate contract for being used for publicity and propaganda of Adult Education Programme. But the cars were purchased (April 1980), outside the DGS&D rate contract, resulting in avoidable extra expenditure of Rs. 0.40 lakh. The purchase was ratified by Government in December 1981.

Of the 11 cars, one is being utilised by the Commissioner for Educational Development and Research and the remaining 10 cars have been allotted for the joint use of Deputy Directors of Education and District Educational Officers. On account of this diversion, the vehicles did not serve the purposes of the Adult Education Programme. Similarly a van (cost: Rs. 0.57 lakh) purchased in April 1981 for adult education propaganda had not been utilised for the intended purpose and had been placed at the disposal of the State Youth Officer from February 1985.

(vi) Audio-visual equipments costing Rs. 1.92 lakhs purchased by the State Adult Education Officer in March 1979 and supplied to eleven District Adult Education Officers had not been put to use so far (November 1985) in nine districts for want of operators.

C. *Rural Functional Literacy Programme*

The Rural Functional Literacy Programme was introduced during 1979-80 by merging the erst-while scheme of Farmers' Functional Literacy Programme started in 1972-73 and non-formal education project started in 1975-76. The objective of the scheme is to impart literacy skills and knowledge to adults and bring about changes in their attitudes and living conditions. Each block is to have 150 centres and the centres are to operate for a period of 10 months each year. The minimum strength of learners for each centre is fixed as 30.



The scheme has so far been implemented in 20 blocks covering 5 districts. According to information furnished by 13 blocks, the attendance at the centres was less than the minimum in a large number of centres *vide* details given below:

Year	Number of blocks where fall in attendance was conspicuous	Total number of centres	Number of centres with average of attendance			
			Below 10	Between 10 and 20	Between 20 and 30	Above 30
1979-80	5	612	4	54	488	66
1980-81	6	891	1	171	615	104
1981-82	6	899	2	167	494	236
1982-83	8	1192	5	362	669	156
1983-84	7	1050	8	328	661	53
1984-85	7	1050	12	389	614	35

No literacy surveys were conducted before opening the centres. Against the overall target of 1,75,500 learners fixed for 13 blocks for 6 years (1979-80 to 1984-85), the enrolment was 1,70,528 (97 per cent), out of which only, 1,46,682 learners successfully completed the course. The drop-out of learners was attributed to their personal and domestic pre-occupations, cultivation, poverty, search for job opportunities, lack of encouragement, lack of interest in the subjects taught, etc.

D. Post-literacy centres

For reinforcing literacy and numeracy skills of the neo-literates, Government of India had advised the State Government to open post-literacy centres. The State Government opened 110 centres during 1982-83 and 130 more during 1983-84. No survey was conducted before starting the centres. The centres were not continued beyond 1983-84 for want of funds.

E. Incentive grants for promotion of female adult literacy

Under a Central scheme of incentive grants for promotion of adult literacy, Government of India sanctioned in March 1984, Rs. 5.05 lakhs to the State Government. Out of the grant, Rs. 3 lakhs were intended for purchasing a mobile van and the balance was to be utilised for purchasing sewing machines, books, knitting machines, etc., for 41 centres at the rate of Rs. 5000 per centre. The State Government instructed (February 1985)

the Director of Public Instruction to utilise the award amounts according to the norms prescribed by the Government of India. The latter however, issued orders (March 1985) for the purchase of 5 jeeps (Rs. 4.28 lakhs) and 75 sewing machines (cost: Rs. 0.62 lakh) and a projector (cost: Rs. 0.12 lakh), deviating from the guideline of the Government of India.

Summing up

Plan provisions made in the State Budget during the period 1978-79 to 1984-85 for State Adult Education Programme remained largely unutilised.

The number of adult education centres opened and illiterates covered till the end of 1982-83 were 37 per cent and 33 per cent respectively of the targets fixed.

Fifty-four out of 130 adult education centres started through voluntary agencies in October 1978 were discontinued before completion of the course owing to fall in strength of learners.

Expenditure on staff of certain districts when there was no worthwhile activity under the programme amounted to Rs. 14.8 lakhs.

Eleven cars and one van purchased for the programme were diverted and utilised for other purposes.

Audio-visual equipment valued at Rs. 1.92 lakhs purchased during 1979 remained unutilised for want of operators.

No survey was conducted before starting the centres for rural functional literacy programme and post-literacy centres.

Out of a grant of Rs. 5.05 lakhs released by Government of India for purchase of a mobile van and sewing machines, books, etc., for the promotion of female adult literacy, Rs. 4.28 lakhs were utilised for purchase of 5 jeeps.

3.8. State Institute of Education

The State Institute of Education was set up in October 1964 for bringing about qualitative improvement in school education. The main activities undertaken by the Institute are:—

(i) preparation of teacher's hand books, question banks, supplementary readers on various subjects for the use of pupils and evaluation materials and background materials for the use of teachers;

(ii) assistance to the department in the formulation and implementation of plans and supervision of academic side of the primary and pre-primary teacher training institutes;

(iii) implementation of schemes in specialised areas like evaluation, guidance, work experience, educational technology and education of the disabled;

(iv) conduct of in-service course for teachers, headmasters and assistant educational officers;

(v) execution of research projects in collaboration with the Universities of Kerala and Calicut, Central Institute of English and Foreign languages, etc.

The Institute functioned under a Director (in the rank of a Joint Director) till January 1985 when it was brought under the overall charge of the Commissioner for Educational Development and Research. The Institute has a number of units and cells to organise or undertake the various activities entrusted to it.

An audit review of the activities of the Institute, conducted in May-August 1985 with reference to the records in the Institute, offices of 3 Deputy Directors of Education, 4 District Educational Offices and 32 schools revealed the following important points:—

(1) *Provision and expenditure*

Provision made for the activities of the Institute in the budgets for the years from 1980-81 to 1984-85 and the expenditure incurred were as shown in the following table:—

Year	Provision		Expenditure*	
	Plan	Non-Plan	Plan	Non-Plan
1980-81	57.95	10.39	28.46	12.69
1981-82	77.65	11.61	46.31	14.17
1982-83	67.15	15.35	32.31	14.27
1983-84	93.00	16.95	50.89	15.82
1984-85	95.00	16.93	68.76	17.42

*Figures as per accounts.

Compared to provision, there was considerable shortfall in expenditure under Plan. Reconciliation of departmental figures with accounts was not conducted during any of the years, nor were the reasons for variations explained.

(2) *Perspective Plan*

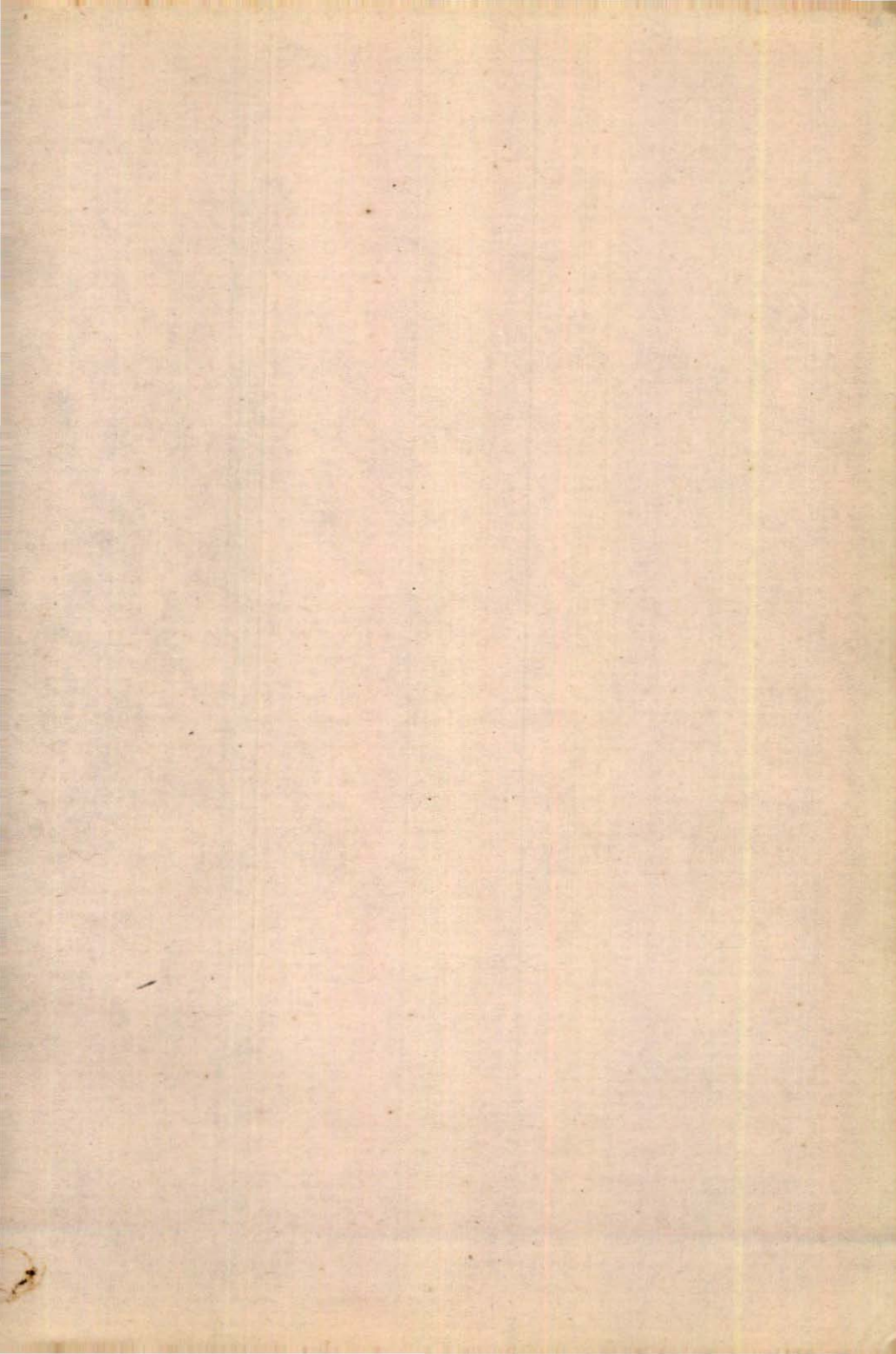
While establishing the Institute in 1964, it was envisaged that the Institute would prepare perspective plans (for 10 to 15 years) in the field of primary and secondary education. No such plan was, however, prepared. The Director of the Institute stated in August 1985 that this task was not undertaken and that there were only yearly plans based on budget provision.

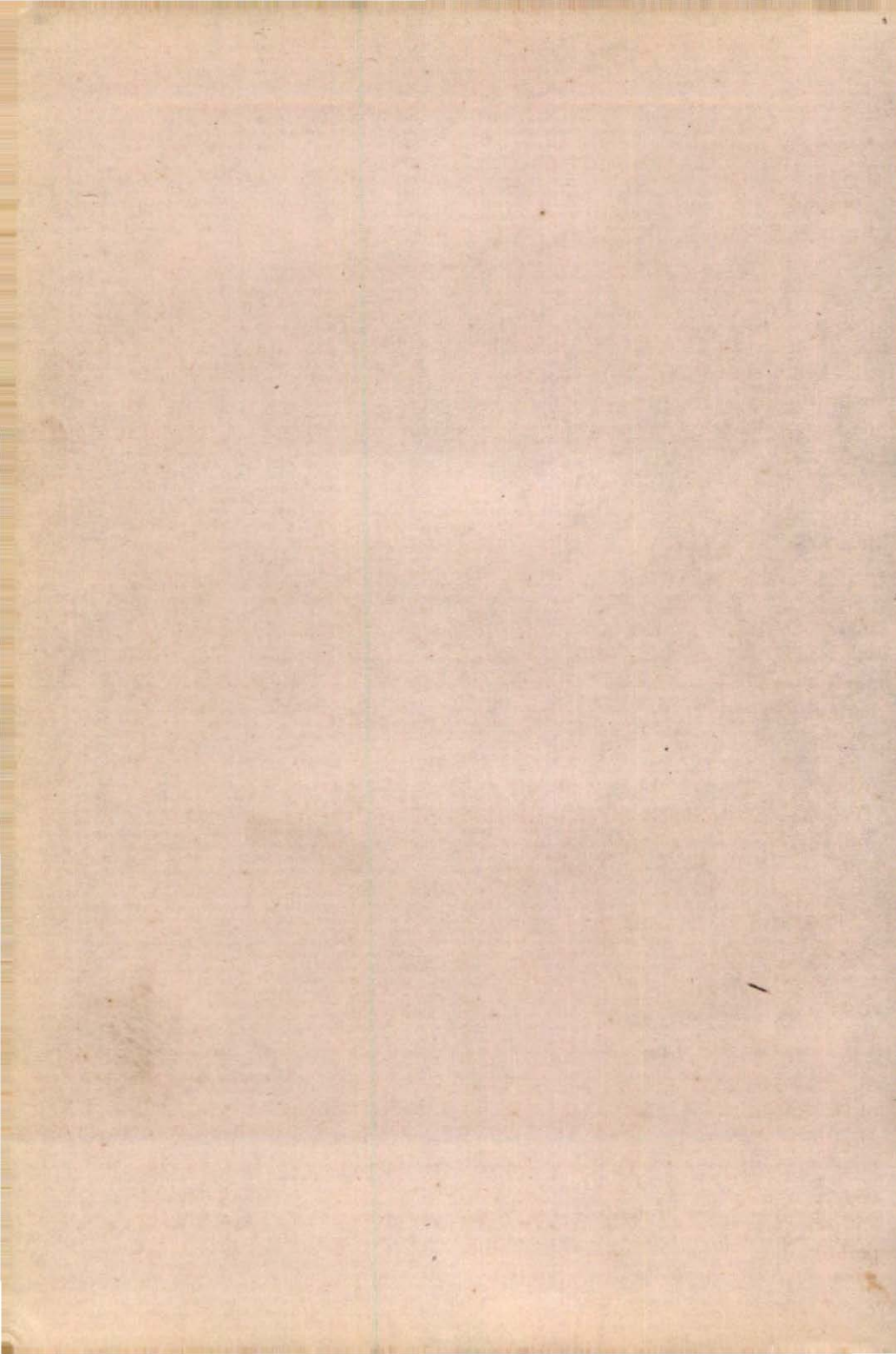
(3) *Selection of personnel*

Government stipulated (1964) that posts in the Institute would be filled by transfer or promotion of persons having essential minimum qualifications and that the persons selected would have at least a minimum of three years' service left in the Institute. Details of posting of personnel in the Institute were available only for the period from April 1983 and showed that the norms stipulated by Government had not been adhered to. In 9 cases, officers were appointed on the eve of their retirement and could serve the Institute only for brief periods ranging from one to seven months. In 7 other cases, the officers could serve their respective units only for periods ranging from 9 days to 16 months, owing to their premature transfer to other posts. While officers having no basic degree in English were appointed to the post of Deputy Director to head the English unit between April 1983 and June 1985, the Social Studies unit was put under the charge of an officer having a degree in Science (and not in Social Studies) between January 1984 and July 1984. Timely action was not initiated in many cases for filling up vacant posts. For instance, the post of Educational Officer (Sanskrit) remained vacant from April 1983 to June 1984 and consequently, no programme in Sanskrit could be implemented during 1983-84.

(4) *Educational Research and Training*

In Sixth Plan, it was proposed to encourage research and training. Eight programmes were selected in 1982 for research in collaboration with the Universities of Kerala and Calicut. Of these, 7 programmes were taken up during 1982-83 and were continued during 1983-84. The expenditure on the programmes upto the end of March 1985 was Rs. 1.65 lakhs.





No report on research has, however, been finalised yet. The Director of the Institute stated in August 1985 that the research work was not effectively done and hence no report was available. Expenditure on research included Rs. 1.14 lakhs advanced to 2 Professors during 1982-83 and 1983-84. The advances had not been adjusted so far (August 1985). Reasons called for (August 1985) are awaited.

(5) *Educational Technology Cell*

With the object of bringing about qualitative improvement in education by stimulating and promoting an integrated use of mass media and instructional technology at all levels of education, an Educational Technology Cell was set up in the Institute in February 1980 with *cent per cent* Central assistance. Government of India initially released (March 1980) an amount of Rs. 1.43 lakhs as grant-in-aid towards establishment charges and purchase of equipment. The cell did not receive further Central assistance as no proposals for the expanded educational programme were forwarded by the State Government to Government of India. The cell remained inactive throughout and as a result, the expenditure of Rs. 1.96 lakhs on salary of its staff up to March 1985 was totally infructuous. Advances amounting to Rs. 1.28 lakhs drawn by the cell during 1980-81 and 1981-82 had also not been adjusted so far.

A 16 mm. black and white film on "Effective teaching technique" produced at a cost of Rs. 0.30 lakh in July 1982 under the Educational Technology scheme had not been screened, pending decision on the number of copies to be taken.

(6) *English, Mathematics and Social Studies units*

The Institute arranges inservice training for teachers. On a test check of the English, Mathematics and Social Studies units of the Institute, it was seen that no records were kept by them, showing the number of teachers trained during each year and the number who were still to be trained.

One-fourth of the expenditure on the running of the Regional Institute of English, Bangalore is met by the Government of Kerala which could send up to 25 teachers for each course conducted by the Institute. The facility was not fully utilised; only 161 teachers in all were sent for 10 courses conducted by the Institute during the years 1980-85 although 250 teachers could have been sent. There was also no monitoring of the performance of the teachers trained.

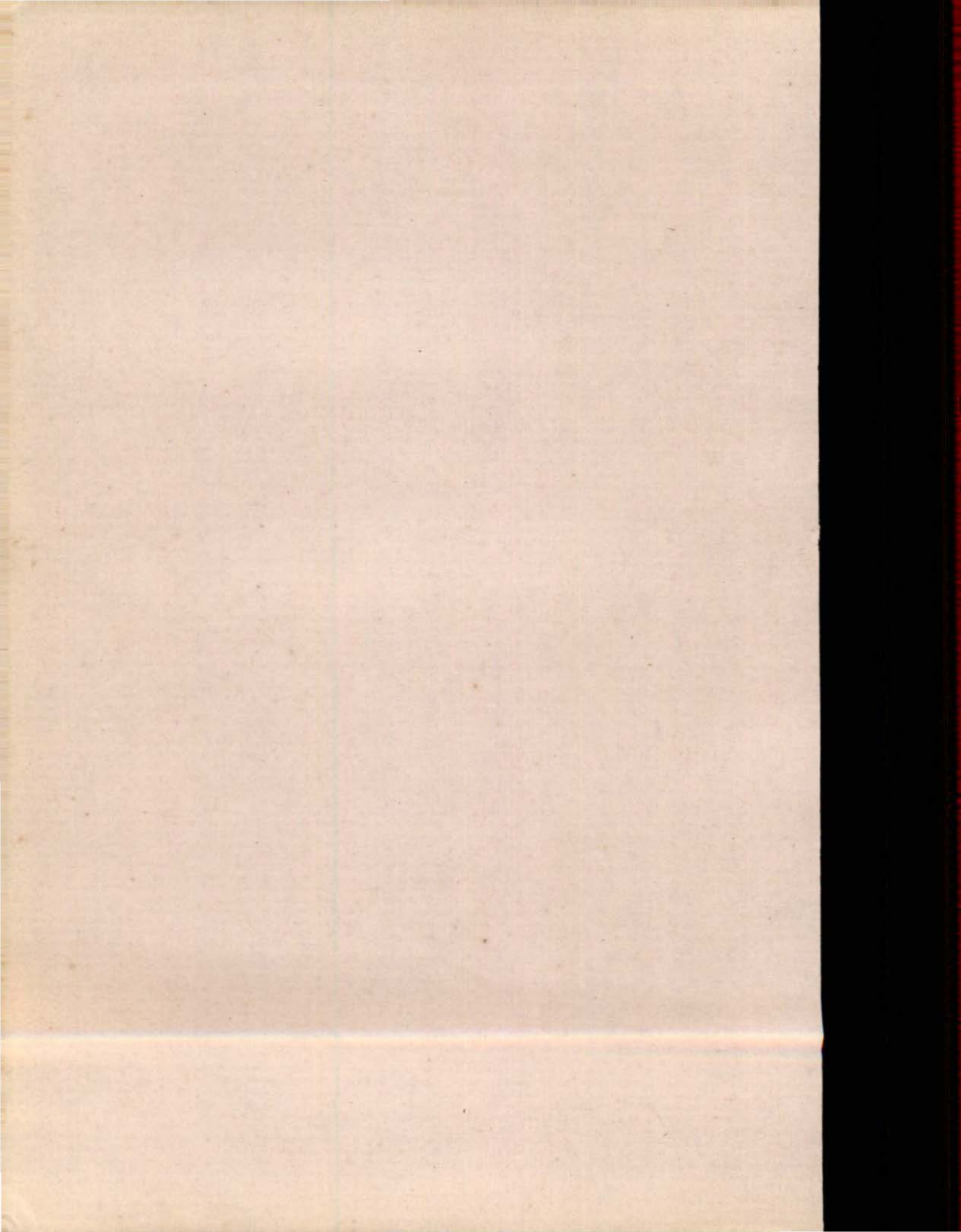
The Mathematics unit trained only 542 teachers during the years from 1980-81 to 1984-85, though there were more than 2300 high schools in the State. In the workshops conducted by the unit during the years 1982-85, 27 supplementary readers for primary classes were prepared, out of which 18 remained as manuscripts and were not published. Though another workshop conducted by the unit in 1981-82 had developed 12 teaching aids, no arrangements were made for their production and supply to schools. There was also no machinery to advise the teachers on the latest trends in teaching Mathematics although it was a major function of the unit. When the syllabus was revised during 1984-85, the unit did not provide any effective assistance to the teachers by bringing out guidance/instructional materials or by giving training. The Deputy Director in charge of the unit was expected to conduct academic inspection of training schools. No such inspection was conducted by him and no reasons therefor were on record. The Deputy Director stated (August 1985) that the inspection would be conducted from 1985-86 onwards.

Though the Social Studies unit was running training centres, there was no machinery to watch utilisation of funds placed at the disposal of the centres. On a test check, it was found that detailed accounts for Rs. 0.67 lakh advanced to six centres during 1983-84 and 1984-85 for training 160 teachers were neither furnished by the centres nor called for by the unit.

The Director stated in July 1985 that action would be taken to set right the defects.

(7) *Curriculum Cell*

In July 1974, Government decided to undertake a revision of curriculum and syllabus at school level, taking into account the State's needs and the national perspective. A steering committee was constituted by Government in December 1982 to supervise the review of curriculum and syllabus at school level. A cell was set up in the Institute in November 1983 to attend to the work of review and revision of curriculum and syllabus. Though the committee had decided in May 1983 to introduce text books in core subjects under the new syllabus from the academic year 1984-85, there was delay in printing and distribution of the new text books and some of them could be distributed only in November 1984, i.e., 5 months after commencement of the academic year. During 1985-86 also there was delay in printing and as a result, 12 books for standard IX



and 5 books for standard VI could not be distributed till September 1985. According to the Director (August 1985), there was delay in identifying specialists for writing text books, and the Institute was also not having experts for editing, art work, etc., in many of its units.

Under the new syllabus, pre-vocational subjects were to be introduced from the academic year 1985-86. But no timely arrangements were made for preliminary training of teachers, supply of minimum tools and equipment, etc. The Director stated (August 1985) that preliminary training of teachers and preparation of hand books were in progress and that steps were under way to authorise schools to utilise the accumulated balances of special fee funds for purchasing tools and equipment.

It was noticed in test check that though the workshops for writing books, to be conducted by the cell, had been sanctioned for maximum duration of 15 days, 35 participant teachers were allowed to continue for longer periods, which extended upto 10 months in the case of 2 teachers. The teachers so retained were paid daily allowance at full rate for the first 30 days, at three-fourths of full rate for the next 60 days and at one-half of full rate for further days of halt during 1983-84 and 1984-85, though the service rules provide for payment of daily allowance at full rate only for the first 10 days of halt at a place, at three-fourths of full rate for the next 20 days, at one-half of full rate for the following 60 days and no daily allowance for any further period of halt. Further, while the orders issued (August 1982) by Government provided for allowance only at the rate of Rs. 10 per day for out of pocket expenses in the case of teachers drawn from schools within a radius of 8 km. as resource persons of creative workshops, such teachers were paid at the rate of Rs. 30 per day applicable to teachers drafted from schools beyond a radius of 8 km. This resulted in excess payment of Rs. 0.28 lakh between November 1983 and March 1985.

(8) *Work Experience Cell*

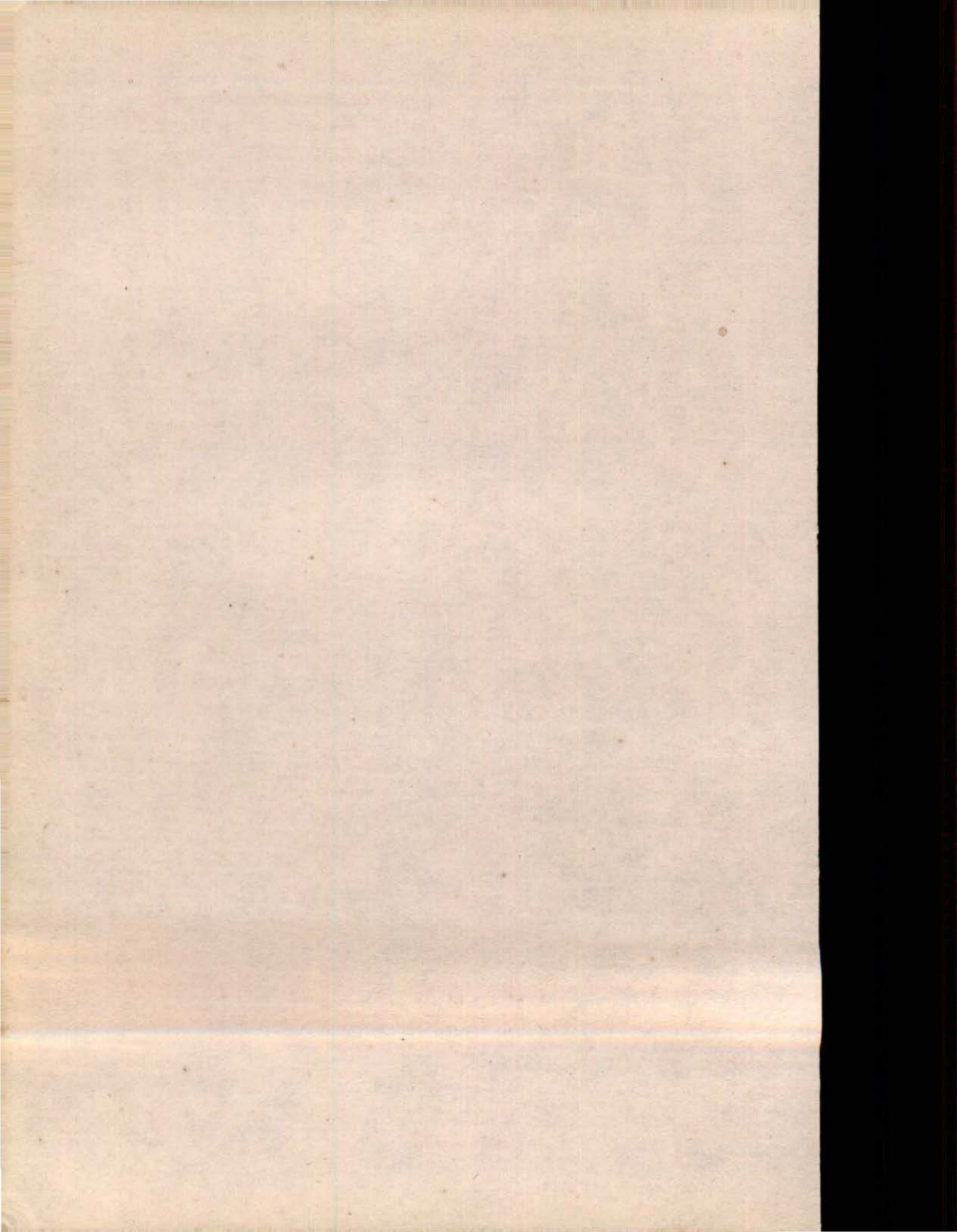
Based on the recommendations of the Education Commission, State Government decided (1969) to introduce the programme of work experience as an integral part of curriculum at all levels in schools in the State. The programme was introduced in a phased manner from the academic year 1969-70 and 1,859 schools out of 11,995 schools were reportedly brought under it till March 1985. A work experience cell headed by a Special Officer was formed (1969) for planning, guiding and implementing the programme.

The Engineering component of the programme was implemented in 115 schools (upper primary section) by appointing qualified instructors to impart training to pupils in trades such as electrical works, carpentry, sheet metal, etc. A sum of Rs. 500 was to be provided to each school for purchase of essential materials for the programme. The actual expenditure incurred on the programme in each year was not known to the cell as no reports were obtained from the Deputy Directors or from the schools. Out of 7 schools test checked in audit, only one school utilised the funds allotted during the years from 1980-81 to 1984-85, 2 schools had not drawn the funds during any of the years, 2 other schools had drawn the funds only in 2 years (1983-84 and 1984-85) and the remaining 2 schools though provided with funds did not take any action to implement the programme.

As against a target of 1,500 schools, only 719 schools were covered under the programme of Socially Useful Productive Work (SUPW) by the end of 1984-85 and only 364 of these schools were allotted rolling capital (ranging from Rs. 300 to Rs. 2,000 per school) totalling Rs. 3.84 lakhs till the end of March 1985. The Institute was not having information about the utilisation of rolling capital by the schools. The activities under the programme included manufacture of writing chalk, fruit preservation, manufacture of file boards/candles, etc. A test check of 25 schools revealed the following points:

(a) *Manufacture of writing chalks*

Though rolling capital at Rs. 700 was provided to 28 schools as early as in March 1980 and to 122 more schools in January/February 1982, the programme could not be implemented for nearly 2 years, i.e., till July 1982 due to delay on the part of the Institute in supplying moulds for manufacture of writing chalks. In 17 of the schools test checked, the programme was either not implemented at all or was not implemented continuously. The duration for which the programme was implemented ranged from 1 to 74 days during 1982-83 in 7 schools, from 2 to 63 days during 1983-84 in 6 schools and from 7 to 37 days during 1984-85 in 5 schools. The discontinuance of the programme in 3 schools was ascribed to transfer/retirement of trained teachers and lack of interest on the part of students. No records were maintained to indicate the value of articles produced and their disposal.



(b) Fruit preservation

Forty schools were brought under the programme by providing rolling capital of Rs. 500 each to 10 schools and Rs. 600 each to 30 schools between 1979-80 and 1982-83. In addition, utensils costing Rs. 0.15 lakh were supplied to the schools. The total expenditure on the programme to the end of March 1983 was Rs. 0.38 lakh. A test check of 6 schools showed that the programme was not implemented in one school owing to transfer of a trained teacher from it and in another school owing to non-receipt of the demand draft sent by the Institute in January 1980. Though the latter school reported the non-receipt of the demand draft to the Institute, no action has been taken by the Institute to locate the missing draft. In the remaining 4 schools test checked, the programme was implemented only for 2 or 3 days and was discontinued thereafter without assigning any reason or refunding the rolling capital.

(c) Other programmes

Even though rolling capital at Rs. 1000 each was provided to two schools in Trivandrum District for the manufacture of teaching aids, the Headmasters of the schools stated that they were not aware of the receipt of any such amount. In another school in Kottayam District, out of the rolling capital of Rs. 1000, only a small part (Rs. 175) was utilised for purchase of raw materials and the programme was not implemented for want of a trained teacher; the balance amount (Rs. 825) was deposited in a nationalised bank.

In Neyyattinkara, rolling capital of Rs. 1000 each received by two schools for manufacture of file boards and for 'coir craft' remained unutilised. The amounts were deposited in nationalised banks and the programme was not implemented. Rolling capital at the rate of Rs. 800 allotted to 50 schools in the State during 1984-85 for implementing the programme 'manufacture of candles' remained unutilised due to delay in the distribution of moulds by the Institute.

Though the programmes allotted to various schools were not being properly implemented, the performance of each school was not known to the work experience cell and the programmes were shown in its records as being continued in all the 364 schools which had been provided with rolling capital. In 24 schools spread over the three regions (Trivandrum, Trichur and Kozhikode) covered by test check, it was noticed that the foremen appointed in 1979-80 to inspect, guide and supervise the programmes, did not visit 21

schools even once, and visited the remaining 3 schools only once, during the 3 years from 1982-83. No clear targets had been fixed for their covering all the schools in each region over a specified period of time.

(9) *Evaluation unit*

Question banks developed through workshops conducted by the unit during 1982-83 for standard IX and during 1983-84 for standard VIII could not be put to use as the materials were not printed and distributed. These question banks would not be useful in future, as the syllabus has been changed from 1984-85. The expenditure of Rs. 0.21 lakh incurred on the workshops had thus become infructuous.

(10) *Integrated education of handicapped children*

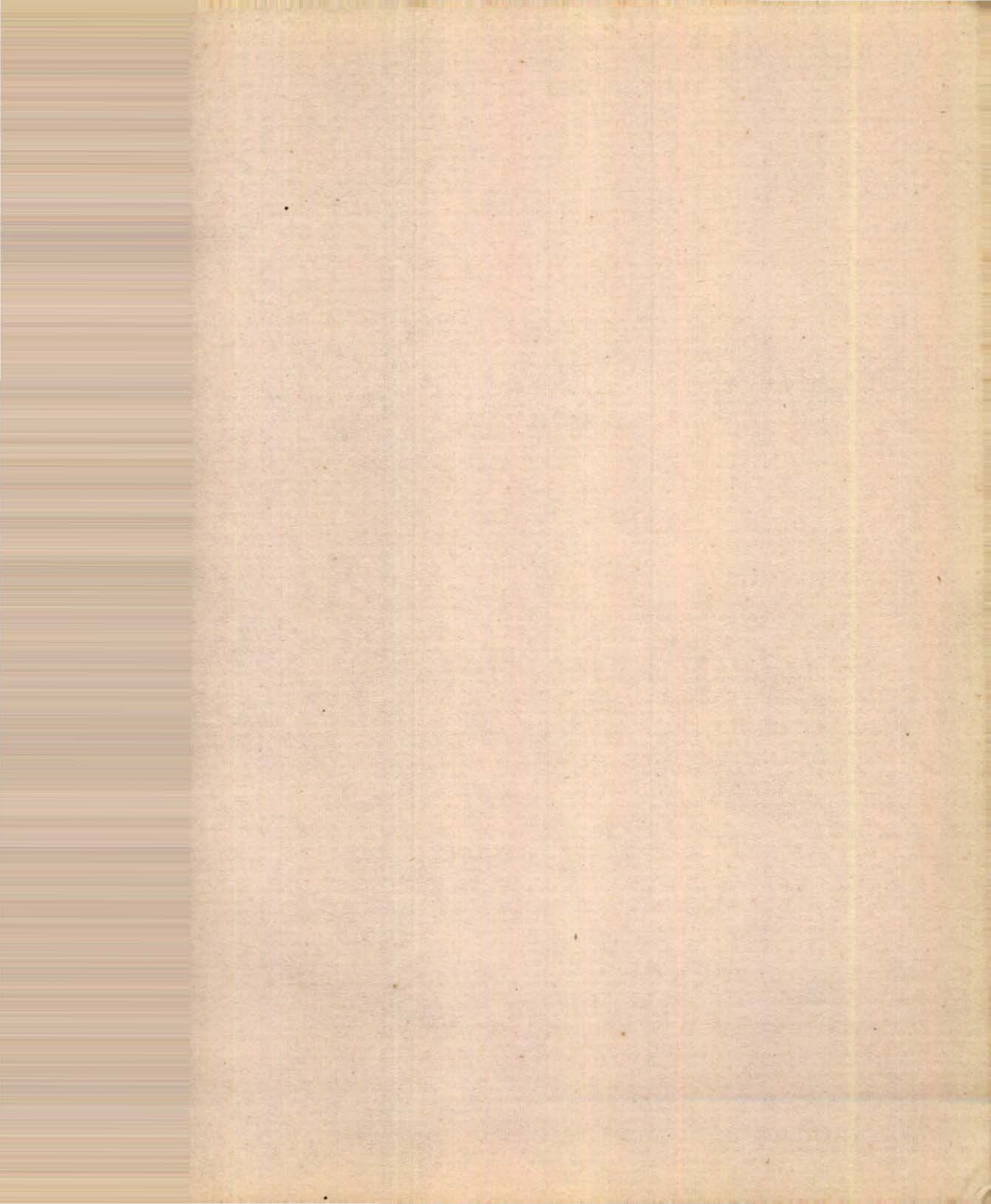
With a view to providing educational facilities progressively in an integrated set up in ordinary schools for various types of disabled children, a scheme was formulated by Government of India in 1975 for implementation in the State with *cent per cent* Central assistance. The scheme was introduced in the State in 1975 through the Institute.

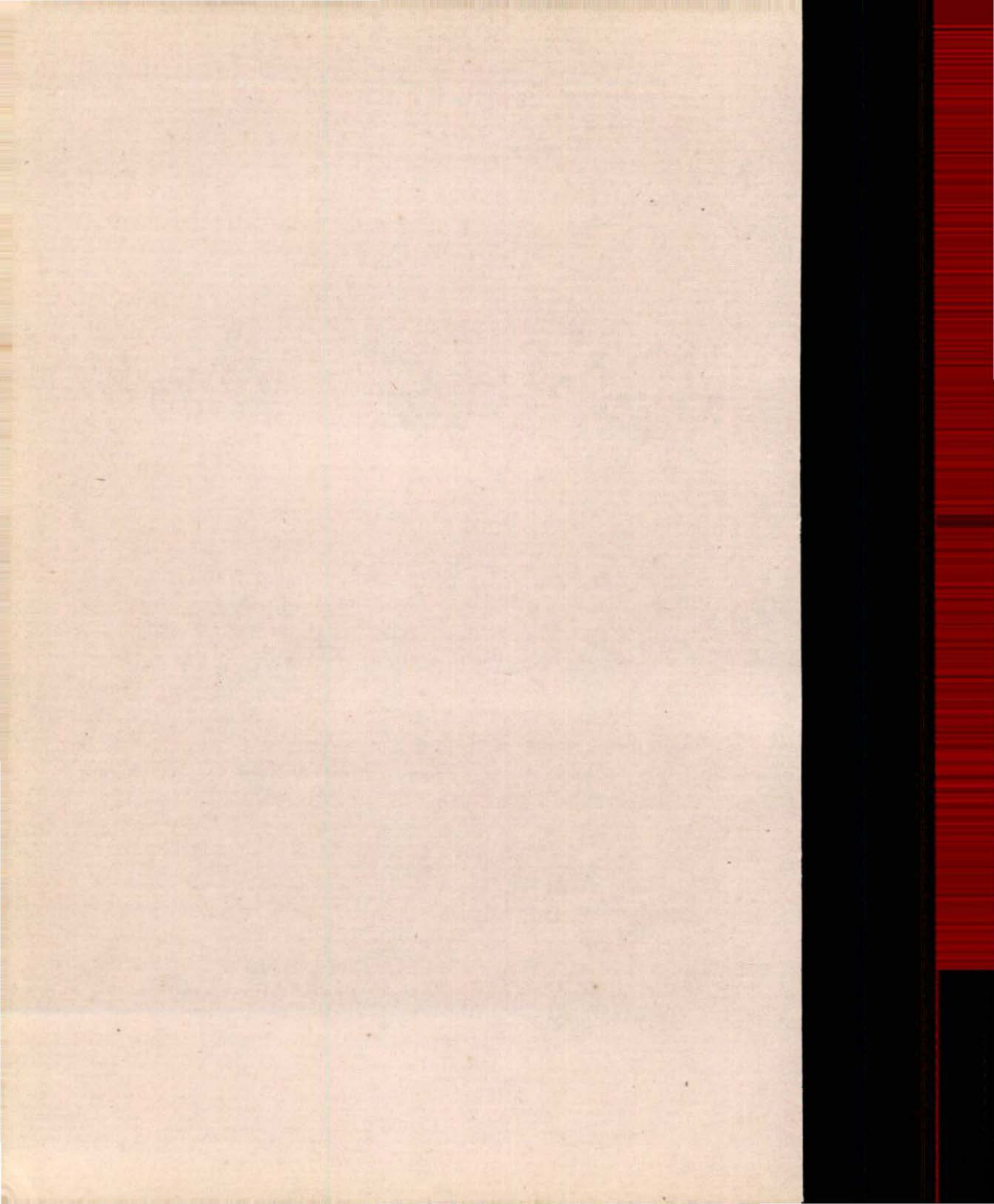
(a) *Selection of schools*

Under the scheme, selection of schools was to be done after ascertaining whether at least eight to ten children of a particular category of disability were available within a reasonable distance. The first selection of schools was done during 1975-76. No additional schools were selected during subsequent years. Instead, handicapped children already studying in the integrated set up in ordinary schools were subjected to medical assessment and were given financial assistance contemplated in the scheme. The deviation was unauthorised.

(b) *Training of teachers and utilisation of resource rooms*

Resource rooms containing essential equipments were to be provided in schools where the scheme was implemented and these rooms were to be utilised by specially trained teachers to prepare the disabled children for more effective functioning in the regular class environment. It was seen that even though the scheme was eligible for Central assistance, resource rooms were not provided in any of the schools in the State. Thus, the services of 146 teachers who were given inservice training at a cost of Rs. 0.76





lakh during 1983-84 and 1984-85 to work as resource teachers, could not be effectively utilised. Qualified resource teachers were eligible for a special pay of Rs. 50 per mensem. But a test check of the records in the District Educational Office, Tellicherry revealed that special pay was paid to Headmasters of two schools even though they were not qualified resource teachers.

(c) *Assistance to beneficiary children*

Children selected under the scheme were eligible for various types of assistance like assistance for purchase of books/stationery, transportation, supply of orthopaedical equipment, etc. The assistance was not released promptly by the Institute even though adequate funds were provided in the annual budgets during the years from 1980-81 to 1984-85. Thus, during 1980-81, 37 out of 92 selected children failed to get the assistance. During 1981-82, none of the 152 children selected during earlier years and continuing in schools was extended financial assistance. The Assistant Director in charge of the scheme stated in July 1985 that this might be an omission.

A test check of the records maintained in three District Educational Offices (Tellicherry, Kottayam and Neyyattinkara) revealed that only 27 pupils out of 62 selected for assistance during 1982-83 received renewal assistance during 1983-84. The District Educational Officers stated (July 1985) that they did not receive any instructions regarding renewal assistance to be paid during 1983-84.

There was also no uniformity in releasing assistance to the selected children. It was noticed that while the assistance recommended for meeting the cost of orthopaedical equipment was not given to 76 children (with disability ranging from 25 to 90 *per cent*) in Kottayam District, 40 other pupils selected during the same year and having disability below 25 *per cent* were granted book and stationery allowance. No reasons were given for non-release of assistance to pupils having disability of more than 25 *per cent*.

(d) *Supply of equipments*

Forty-five children selected during 1980-81 for receiving orthopaedic equipment through the Zonal Limb Fitting Centre, Trivandrum did not receive the equipment as the fee of Rs. 0.15 lakh remitted by the Institute in March 1981 was not credited to the account of the Centre. The omission was yet to be rectified. During 1981-82, the cost of equipment to be provided to 67 newly selected pupils was estimated at Rs. 0.31 lakh by the Director of

Physical Medicine, Trivandrum. But no action was taken to provide the recommended equipment to those pupils. The Director of the Institute stated in July 1985 that the equipment could not be supplied as the exact amount required could not be assessed and was also not intimated by the Director, Zonal Limb Fitting Centre.

During 1982-83, Rs. 0.89 lakh provided in the budget for giving assistance towards the cost of orthopaedical equipment and Rs. 3.38 lakhs provided for escort allowance remained unutilised. The department stated in July 1985 that the funds could not be utilised as eligible pupils could not be selected in time.

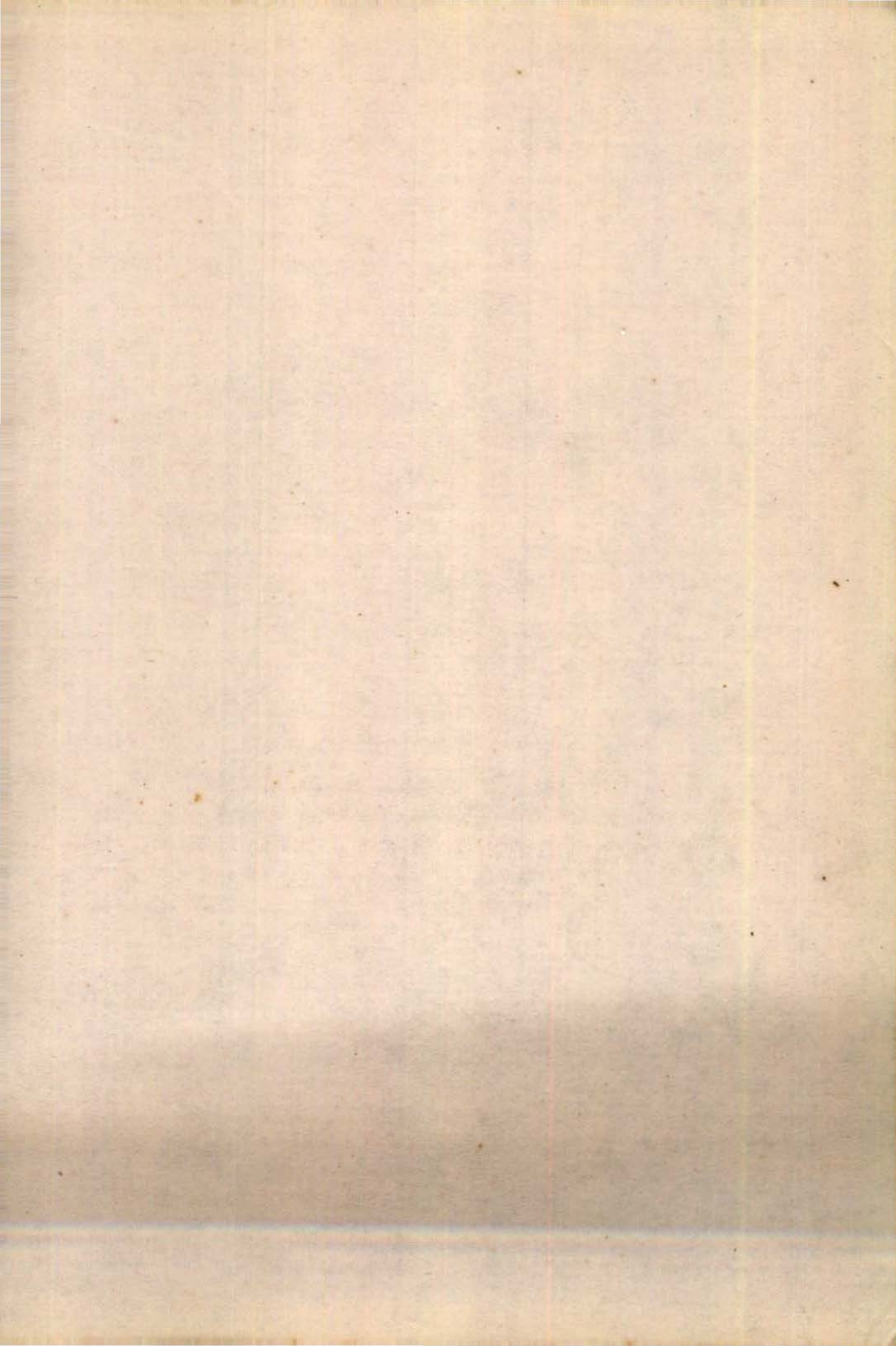
(e) *Receipt and adjustment of Central assistance*

Cent per cent Central assistance was available for implementing the scheme during the Fifth and Sixth Plan periods. Central assistance received during 1974-75 to 1981-82 was Rs. 14.40 lakhs. No action was seen initiated for claiming further Central assistance although the expenditure on the scheme to the end of March 1985 has been reported as Rs. 31.85 lakhs.

(11) *Printing and distribution of books*

Workshops on various subjects were conducted every year by different units in the Institute. With the object of disseminating the knowledge gained in the workshops, books were printed for distribution to schools in the State. It was noticed in audit that out of 7.02 lakh copies of books under 236 titles printed between 1979-80 and 1983-84, 5.37 lakh copies covering 111 titles remained undistributed (August 1985). These books were also not properly kept for want of adequate storage facilities. The cost of the undistributed books worked out to Rs. 3.55 lakhs. No stock registers were maintained by the Institute for watching the distribution of the books.

Printing of books was usually entrusted to private parties. Quantity of departmental paper issued to them for printing was far in excess of actual requirement in several cases. In 8 cases covered by test check, more than 111 reams of printing papers were seen issued in excess. The excess paper had not yet been returned nor its cost recovered. In another case, no action was initiated to recover the cost of 57 reams issued in excess and the file was closed in November 1982. In yet another case, the cost



(Rs. 0.10 lakh) of 63 reams of paper issued in excess could not be realised from the printer as he had reportedly wound up his establishment.

(12) *Irregular sanctions*

While sanctioning expenditure, the Director as well as the Deputy Director (General) of the Institute often exceeded their financial powers. In 67 cases, the Deputy Director (General) had thus irregularly sanctioned expenditure for various purposes to the extent of Rs. 1.50 lakhs and in 18 cases, the Director had irregularly issued sanctions involving an expenditure of Rs. 2.63 lakhs, during 1984-85. These cases were not got regularised by competent authorities.

The Institute spent Rs. 0.20 lakh during 1983-84 and Rs. 0.56 lakh during 1984-85 on purchase of costly items of furniture although it was beyond the powers of the Director; the purchase has not been got ratified yet. Further, the money for purchase was drawn at the fag end of each financial year on the basis of *pro forma* invoices and actual supplies were received only after the close of the financial year.

The Institute purchased two photocopying machines (cost: Rs. 1.66 lakhs) in August 1984 for its use. One of the units was diverted to the Directorate of Public Instruction. The purchase sanctioned by the Director of Institute was beyond his powers. The Director stated in August 1985 that Government would be addressed for the ratification.

(13) *Administration and control*

An O & M study conducted in 1983 by the Director of Public Instruction revealed several lapses/inadequacies in the functioning of the Institute. Some of the important points brought out by the study were:

- (i) ineffective top level administration, supervision and control and lack of effective supervision by middle level officers and section heads;
- (ii) non-observance of prescribed office procedures;
- (iii) lack of co-ordination; and
- (iv) non-observance of store purchase rules in making purchases, printing, etc., irregular drawal of advances, irregular purchase of stationery, entrusting of stencilling work to outside^e agencies when adequate stencilling machines were available in the Institute, ineffective control over the use and maintenance of departmental vehicles, etc.

Remedial action was yet to be taken on the basis of the study (September 1985).

Summing up

A perspective plan has not been prepared by the Institute.

The minimum tenure of 3 years for the staff appointed in the Institute had not been ensured in many cases owing to posting of officers on the verge of their retirement or their premature transfer.

Expenditure of Rs. 1.65 lakhs was incurred on research but no research paper had been published by the Institute so far.

Education technology cell set up in February 1980 had remained inactive all along and an amount of Rs. 1.28 lakhs drawn was also not adjusted.

There was no machinery in the Institute to monitor the progress in the coverage of teachers under various training programmes conducted by English, Mathematics and Social Studies units and also to assess the backlog in training from time to time. Detailed accounts for Rs. 0.67 lakh advanced to centres were neither furnished nor obtained.

The new text books were distributed four to five months after commencement of the academic year during 1984-85 and 1985-86.

As against a target of 1,500 schools, the programme of socially useful productive work was introduced only in 719 schools up to 1984-85 and even in those schools, it was implemented only for brief spells.

In a number of cases, assistance due under the programme of integrated education of handicapped children had not been released to them.

Out of 7.02 lakh copies of books under 236 titles containing workshop papers printed between 1979-80 and 1983-84, 5.37 lakh copies covering 111 titles (value: Rs. 3.55 lakhs) remained undistributed.

The Director and the Deputy Director (General) of the Institute had accorded several sanctions to expenditure in excess of their delegated powers.

The matter was reported to Government in September 1985; their reply is awaited (April 1986).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.9. Purchase of films for 'Family Welfare'

In December 1984, Government accorded sanction to the Director of Health Services to purchase 50 prints each of two films ('Cancer' and 'Venereal diseases') at a cost of Rs. 16.50 lakhs. Both the films had extensive run in commercial circuit before they were purchased by the department in January 1985.

The basis of valuation of the films was not made available to Audit. The subject matter of the films is not connected with family welfare programme, and their purchase from out of the provision for 'Family Welfare' was not in conformity with the directions of the Government of India.

Government stated (November 1985) that family planning was integrated with health and allied topics and hence the two films were relevant to family welfare programme though they were not directly connected with the techniques of birth control.

HIGHER EDUCATION DEPARTMENT

3.10. Non-recovery of liability from teaching staff of Engineering Colleges, deputed for higher studies

Government depute teaching staff of Engineering Colleges for higher studies to various Indian Institutes of Technology under 'Quality Improvement Programme' and to the Engineering College, Trivandrum, under 'Research programme'. The deputationists are paid their duty pay and allowances for the period of training which is treated as 'duty'. According to the terms and conditions of deputation, the deputationists are to complete the courses of study successfully and are also to serve Government for a specified minimum period after the successful completion of higher studies. In the event of breach of these conditions, the deputationists are bound to pay back to Government, with 10 *per cent* interest *per annum*, the amount paid to them by way of pay and allowance, fee, travelling allowance, study tour expenses, etc., during the period of training, besides a penalty to be specified in each case. Before proceeding on deputation, each deputationist is to execute a bond agreeing to the prescribed conditions.

On a review of 61 cases of deputation, it was seen that in 7 cases, where deputation was sanctioned between September 1975 and July 1980,

the Professors/Assistant Professors who were on deputation for periods ranging from 36 to 48 months had not completed the higher studies successfully and that the amount due from them in terms of agreements executed, had not been recovered. The amount pending recovery from them (exclusive of interest) was about Rs. 5.96 lakhs. Government stated (November 1985) that action was being taken against those who had not completed the course successfully.

3.11. Non-commissioning of a cargo lift

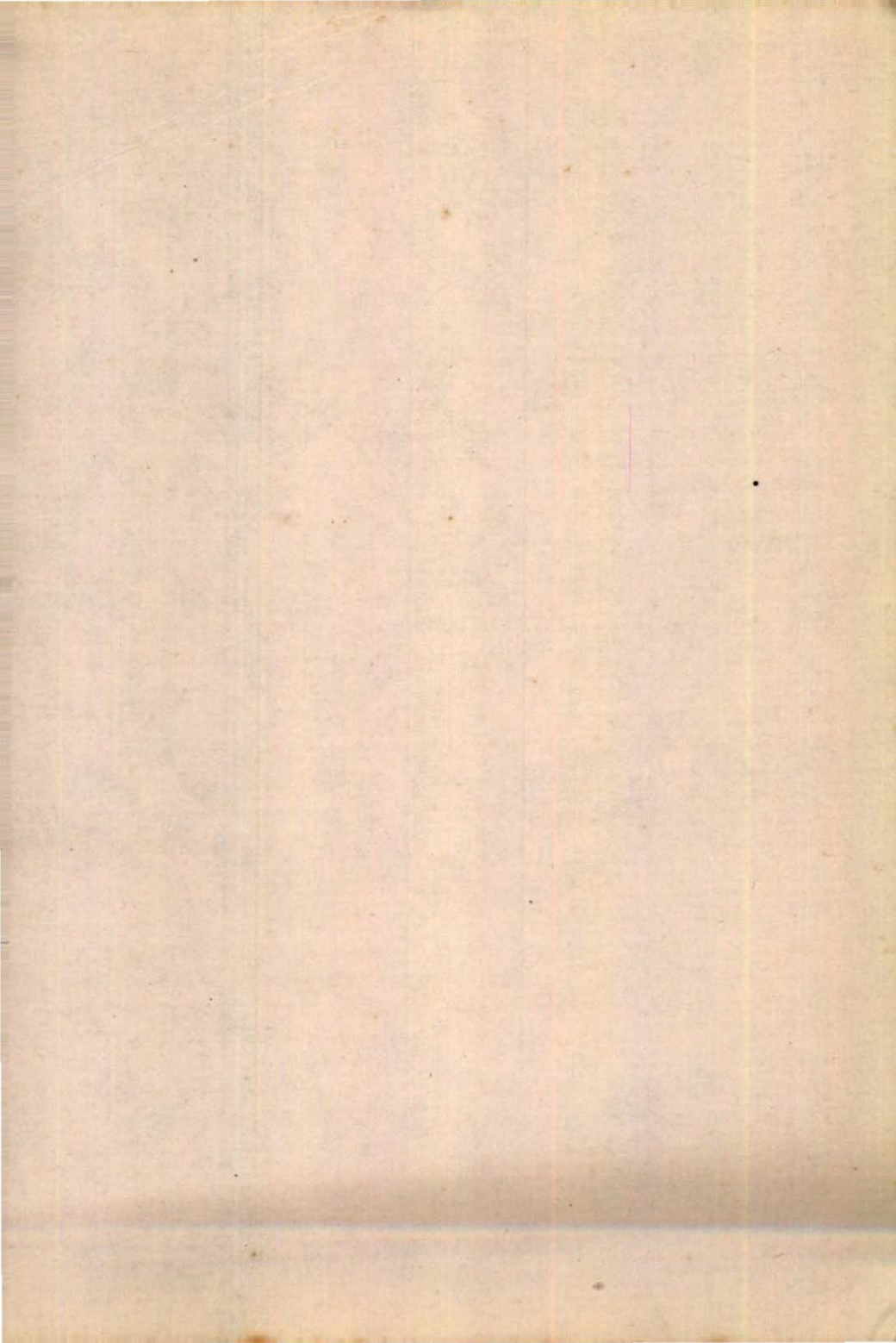
A cargo lift (cost: Rs. 1.20 lakhs) installed during 1982-83 in Block A of the new building constructed for the stationery store at Trivandrum has not been commissioned by the Public Works Department so far (December 1985). According to the Chief Architect, Public Works Department, the sliding door of the lift required modification so as to utilise its full car width. The modifications have not been carried out (January 1986). Owing to non-commissioning of the lift, more labourers had to be engaged to carry loads to the first and second floors of the store building, entailing extra expenditure.

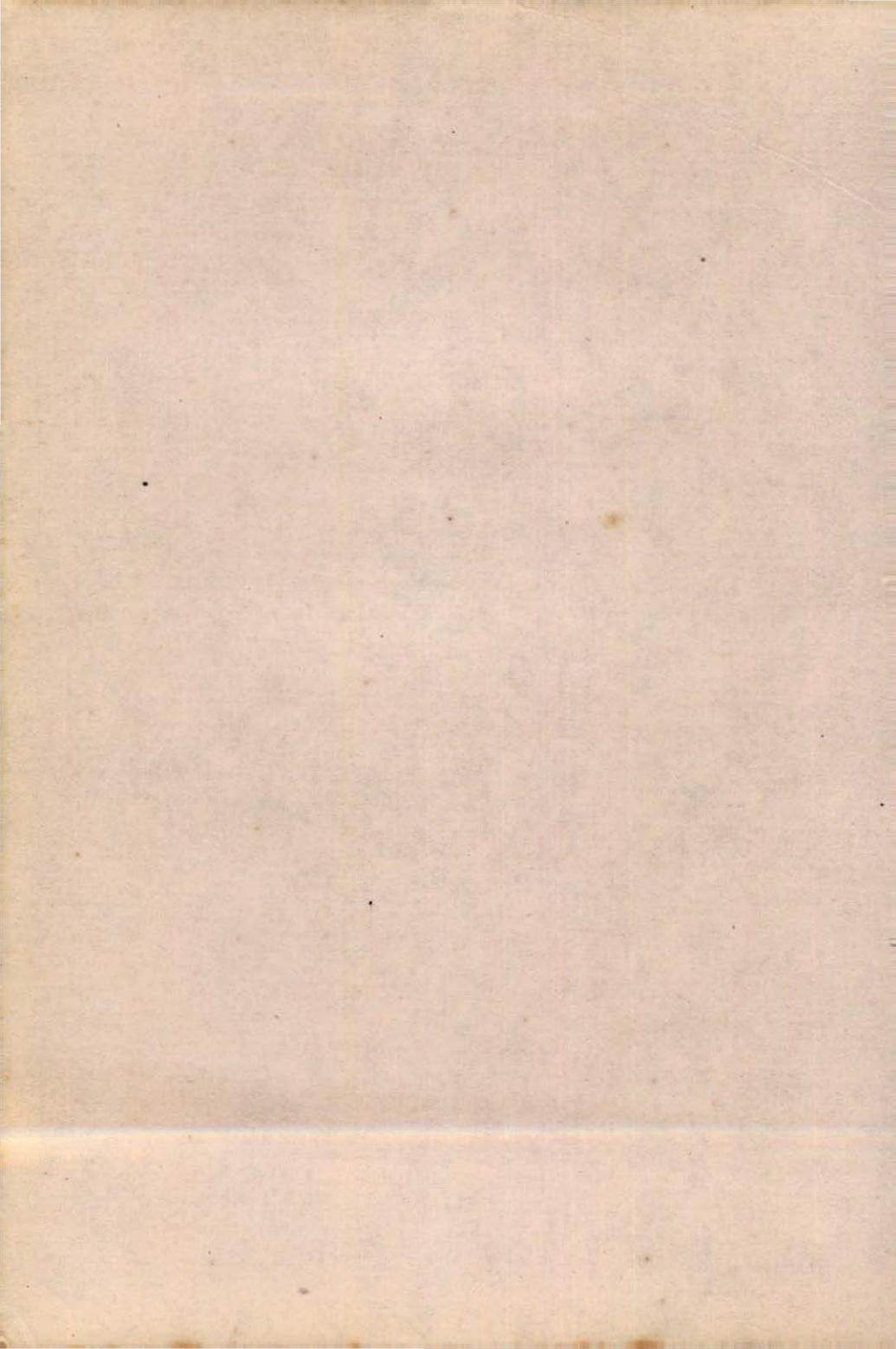
HOME DEPARTMENT

3.12. Hospital for Police personnel

Sanction was accorded by Government in November 1977 for construction of buildings to provide hospital facilities exclusively for Police personnel at 12 places. Out of these, hospitals at 3 places, viz., Pudukkottai, Palghat and Trivandrum started functioning in 1981, 1982 and 1985 respectively.

Hospital buildings at 4 other places, viz., Cannanore (cost : Rs. 2.87 lakhs), Quilon (cost: Rs. 1.60 lakhs), Kottayam (cost: Rs. 1.68 lakhs) and Malappuram (cost: Rs. 2.95 lakhs) were completed and handed over to the Police Department between April 1982 and January 1984. The building at Cannanore is being used as Armed Reserve Camp Office; the hospital staff sanctioned for the unit in June 1984 has been diverted to another unit in the same district since December 1984. Government stated in February 1986 that the functioning of the Armed Reserve Office in the hospital building at Cannanore was a temporary measure. The hospitals at Kottayam and Quilon have not yet started functioning for want of staff. In February 1986 Government stated that posting of staff would be done before long. The building at Malappuram is now being used to accommodate MSP Battalion.





Government stated (February 1986) that they were not in a position to start construction of hospitals in the remaining five places owing to financial constraints. Thus, the objective of providing hospital facilities exclusively for Police personnel remains largely unfulfilled.

3.13. Long delay in occupation of residential quarters

A building constructed by the Public Works Department (Buildings and Roads Division, Cannanore) at a cost of Rs. 1.19 lakhs and intended to be used as residential quarters of the Superintendent of Central Prison, Cannanore was handed over to the Jails Department in February 1982.

In July 1982, a request for water supply connection was made by the Jails Department to Puzhathy Panchayat (where the building is situated); but it was rejected by the latter on the ground that the department had not obtained the Panchayat's permission before starting construction of the building and had also failed to furnish the site plan and building plan. In September 1982, the Jails Department called for from the concerned Public Works Division, copies of the site plan and the building plan for submitting them to the Panchayat but did not receive these documents from the division. As a result, the building has not been provided with water supply yet (September 1985).

The Superintendent of the prison was directed by the Inspector General of Prisons in March 1984 and by Government in June 1985 to occupy the building. He had not, however, complied with the direction and had continued to remain (September 1985) in the Jailor's quarters which he had all along been occupying. The reasons attributed by the Superintendent for non-occupation of the new building were (i) want of water supply connection, (ii) proximity of the building to the gallows and (iii) location of the building in an isolated place, behind an 18 foot compound wall.

The Inspector General of Prisons stated (September 1985) that water supply connection could not be provided so far due to administrative reasons. Owing to the wrong selection of the site and the delay in getting water supply connection due to failure of the department to comply with statutory provisions requiring prior permission of the Panchayat for construction, the building constructed at a cost of Rs. 1.19 lakhs could not be put to use for nearly 4 years (November 1985). Government stated (November 1985) that non-occupation of the building by the Superintendent was due to his sentimental objection on account of its proximity to the gallows and that the building had been re-allotted to a Jailor.

LABOUR AND REHABILITATION DEPARTMENT

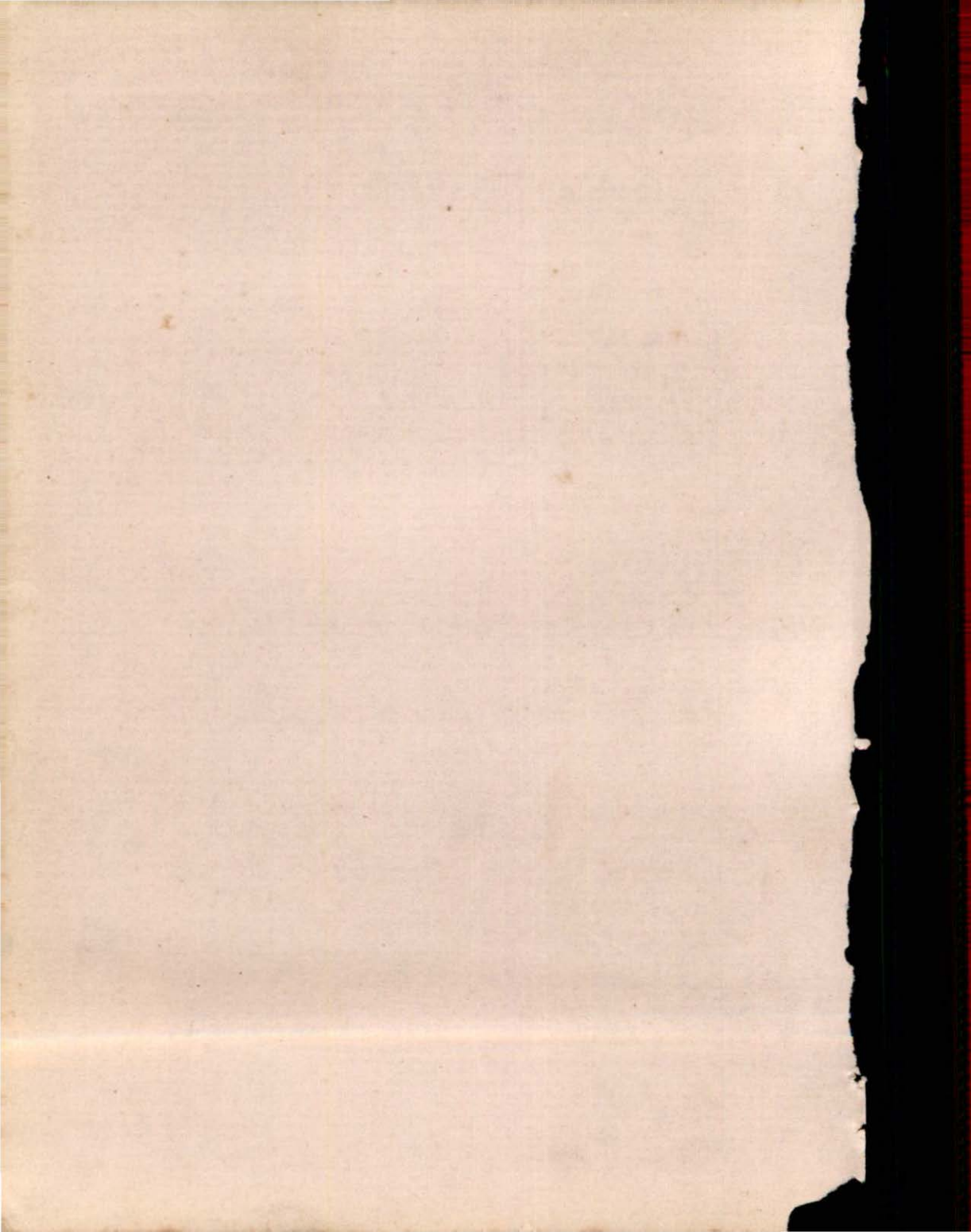
3.14. Employment Exchanges**3.14.1 Introductory**

Employment service through Employment Exchanges is a joint concern of the Central and State Governments. Employment exchanges seek to promote the best possible co-ordination between demand and supply of manpower.

Employment Exchanges in the State function under the overall control of the Director of Employment Services. There are 3 Divisional Employment Exchanges at Trivandrum, Ernakulam and Kozhikode, each headed by a Divisional Employment Officer and 10 District Employment Exchanges (DEEs), each headed by a District Employment Officer. Besides, the employment service network in the State also includes 18 Town Employment Exchanges (TEEs), one Professional and Executive Employment Exchange (Trivandrum), one Special Employment Exchange for physically handicapped (Trivandrum), 4 University Employment Information and Guidance Bureaux—one each at Trivandrum, Ernakulam, Trichur and Kozhikode and 10 Employment Information Bureaux functioning in different localities of the State. Under the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, (EE (CNV) Act) which came into effect from 1st May 1960, all vacancies occurring in the public sector (except those filled on the advice of the Public Service Commission) and in the private sector are to be notified to the Employment Exchanges. The functioning of the Exchanges largely rests on this Act and the rules framed thereunder. As regards policy and procedure the Employment Exchanges follow the provision in the National Employment Service Manual, issued by the Directorate of Employment Exchanges of the Government of India and the orders issued by the State Government.

The main activities of the Employment Exchanges are (i) registration of job seekers, (ii) submission and placement of suitable job seekers against vacancies notified to the Exchanges, (iii) collection and compilation of quarterly and biennial returns from employers in public sector and private sector for the purpose of employment/market information, (iv) vocational guidance and employment counselling and (v) placement of physically handicapped persons against vacancies.

The expenditure on Employment Exchanges in the State during the period 1974-75 to 1984-85 amounted to Rs. 53.71 crores. Activity-wise details of budget provision and expenditure are given in Appendix 3.2.



3.14.2 Results of Audit

On a review of the working of the Employment Exchanges, conducted during the period August 1984 to January 1985 with reference to the records in the Directorate and the Divisional Employment Exchanges at Trivandrum, Ernakulam and Kozhikode; DEEs at Quilon and Trichur; Professional and Executive Employment Exchange, Trivandrum and the TEEs at Nedumangad and Neyyattinkara, the following points were noticed:—

A. Employment Services

(1) Registration, submission and placement

Job seekers have to register their names with the Employment Exchanges and renew the registration every three years.

Introduction of an applicant to an employer for consideration against a vacancy is termed as 'submission' and the employer's acceptance of the applicant as 'placement'. The details of registration, submission and placement during the 5 years from 1979-80 are given in the following table:—

Year	Total number of registrants as on the last date of the year	Number of new registrants during the year	Vacancies notified during the year	Submissions made during the year	Placements made during the year	Percentage of submissions to total number of registrants	Percentage of placements to total number of registrants
	(in lakhs)						
1979-80	12.86	3.77	0.50	2.40	0.39	19	3.03
1980-81	16.51	4.84	0.34	1.90	0.22	11	1.33
1981-82	18.96	3.67	0.31	2.00	0.19	11	1.00
1982-83	21.09	3.73	0.27	1.89	0.18	9	0.85
1983-84	23.44	4.48	0.23	1.51	0.13	6	0.55

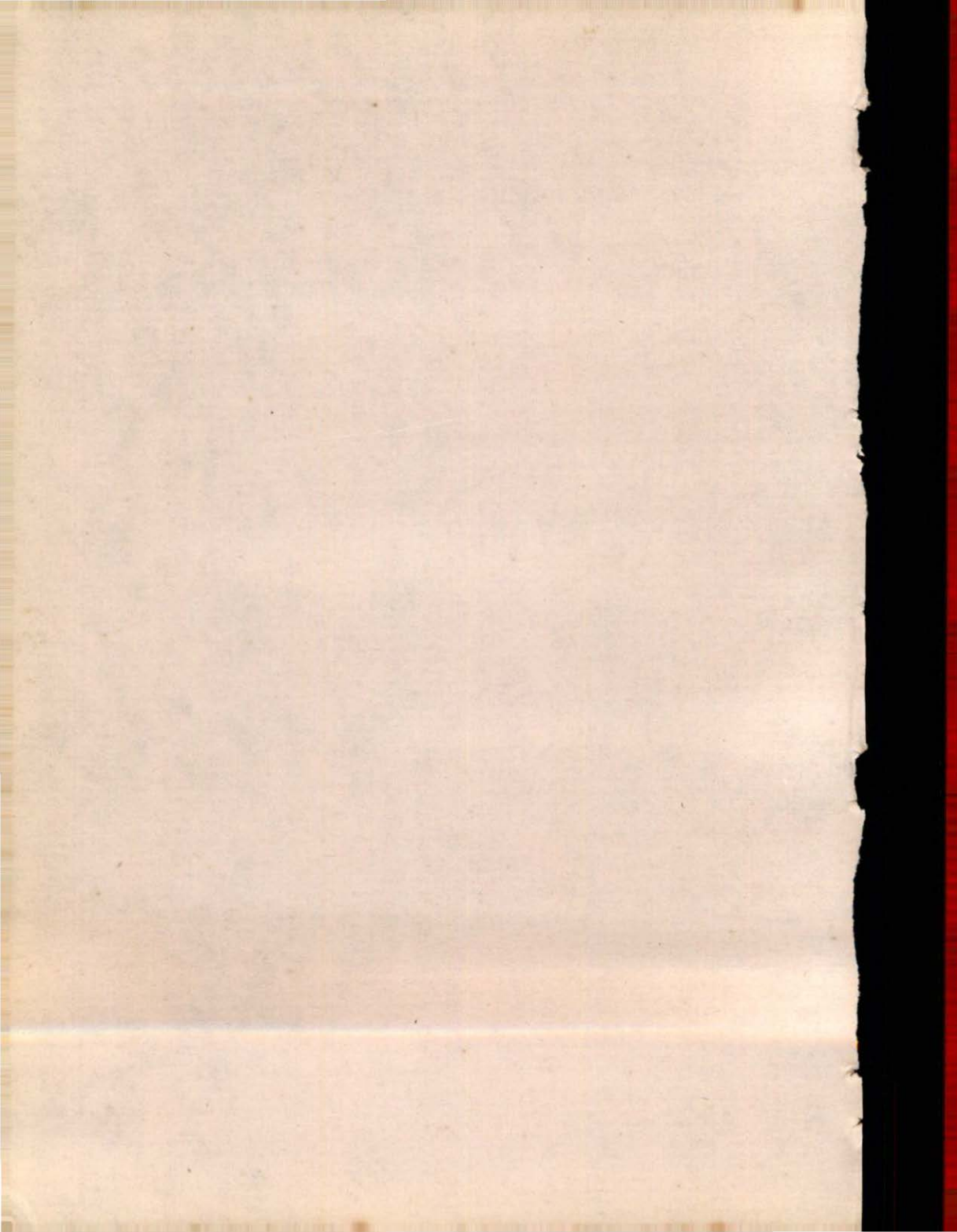
While the number of job seekers was increasing from year to year, the percentage of submissions and placements declined during the five years 1979-80 to 1983-84 from 19 to 6 and from 3.03 to 0.55 respectively. The main reasons for this were the increase in the number of registrants after the introduction of unemployment assistance schemes for registrants awaiting placement and exclusion of vacancies in several offices/public sector undertakings from the scope of Employment Exchanges.

The State and the Central Governments have issued instructions from time to time requiring the public sector undertakings to notify their vacancies coming within the purview of EE (CNV) Act to the Employment Exchanges and fill the vacancies with the candidates sponsored by them. These undertakings were not to resort to direct recruitment except where Employment Exchanges had issued 'non-availability' certificates. However, these instructions were not being followed by many public sector undertakings. A few instances are given in the following table:—

<i>Name of Public sector undertaking</i>	<i>Posts filled</i>	<i>Period of recruitment</i>	<i>Remarks</i>
1. Kerala State Coir Corporation Ltd.	Plant Operator, Boiler Attender, etc.	1981-82	The posts were filled up after advertisement of vacancies in a newspaper. Government directed (March 1984/October 1985) the department to prosecute the Corporation for violating the provisions of EE (CNV) Act. The department stated (November 1985) that further action was being taken in the matter.
2. Keltron Power Devices	4 posts of Engineers	1981-82	On an enquiry by the department the Company stated that direct recruitment was resorted to as it wanted experienced engineers who could handle sophisticated equipments.

Government stated (October 1985) that follow-up action had been taken in the above cases and that a revised procedure for recruitment to State Public Sector undertakings through the Employment Exchanges had been formulated in June 1985.

Employers in the private sector seldom use the services of Employment Exchanges for filling up vacancies in their establishments. A survey conducted



in 1984 by the Directorate at the instance of Ministry of Labour and Rehabilitation, Government of India, covering 222 private employers indicated that none of them had ever utilised the services of Employment Exchanges for filling up their vacancies. In the survey the reason for non-adoption of the procedure was not analysed. Also no action was taken by Government.

(2) *Selection procedure*

For the selection and submission of candidates against vacancies notified, select list for each category of national classification of occupation is to be prepared in each Employment Exchange in the order of seniority of registration. Preparation of select lists is necessary for all categories for which the vacancies notified in the previous year exceeded 5 in number. Submission of candidates is made from the select list on the basis of seniority of registration, communal reservation, requirements of additional qualifications, etc. Number of persons to be included in the list will be about five times the anticipated vacancies. As seniority is the main criterion for sponsoring candidates, only applicants having 10 to 15 years' seniority are likely to be in the zone of submission in Kerala for certain categories of posts like clerks, peons, etc. The select lists prepared in 1984 by 3 Exchanges (Divisional EE, Trivandrum, TEE, Nedumangad and TEE, Neyyattinkara) showed that even the junior-most in the select list for some categories like sweepers, clerks, typists, peons had registered their names between 1968 and 1977.

A test check by Audit revealed that the Divisional EEs, Trivandrum and Kozhikode; DEE, Trichur and TEE, Neyyattinkara did not sponsor any candidates against certain vacancies circulated by other Employment Exchanges within the State. According to the District Employment Officer, Trichur, one of the reasons for the delay was non-filing of index cards in the live register and removal of index cards for payment of unemployment assistance, etc. In some cases, the seniority rule was not observed while sponsoring candidates. In one such case, the Divisional Employment Officer, Kozhikode stated that non-sponsoring of seniors was due to oversight. In another case, the District Employment Officer, Quilon stated that the omission to consider the senior candidates was due to non-availability of their index cards in the live register on account of wrong classification.

(3) *Non-submission of candidates against vacancies circulated by Central Employment Exchange.*

Vacancies notified to Central Employment Exchange for all-India circulation are advised to other Employment Exchanges for sponsoring candidates. Most of these vacancies are either regular or temporary but likely

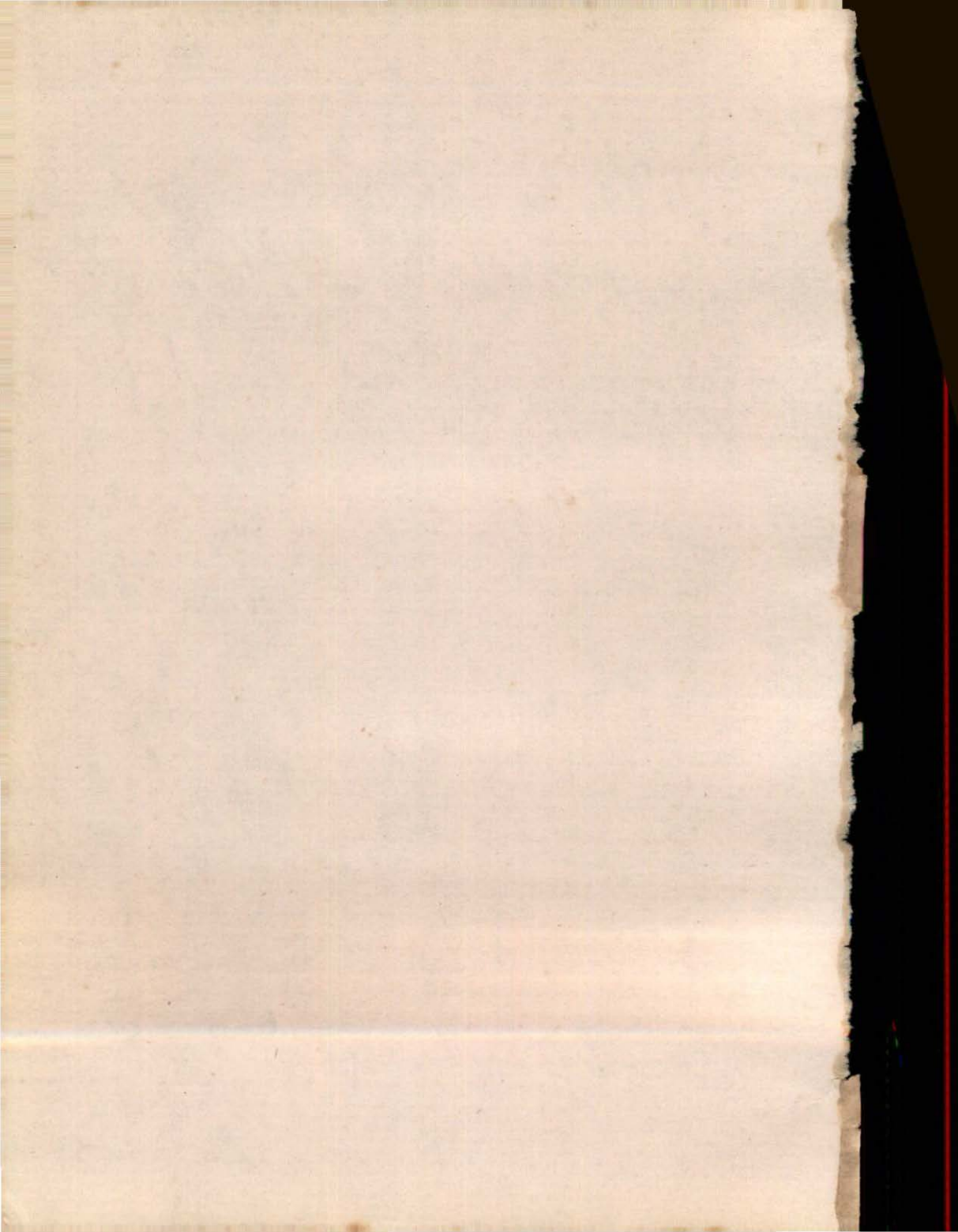
to continue. During a test check of the records of eight Employment Exchanges, it was noticed that they had taken no action to identify and sponsor eligible candidates against 2,350 vacancies of various categories notified to them by the Central Employment Exchange on 53 occasions. The reasons adduced by the Employment Exchanges for non-submission of candidates were belated receipt of notifications, pressure of other items of work like disposal of applications for unemployment assistance and self-employment scheme, etc.

(4) *Defects in the maintenance of vacancy order register.*

All the vacancies notified to the Employment Exchange, submissions made thereagainst and placements secured are to be entered in the vacancy order register. In a large number of cases, however, the placements were not noted by the Employment Exchanges. A few instances pertaining to 1984 are mentioned below:—

<i>Employment Exchange</i>	<i>Number of Orders</i>	
	<i>Total</i>	<i>against which placement details were wanting</i>
Divisional Employment Exchange, Kozhikode	706	395
District Employment Exchange, Trichur	491	451
Professional & Executive Employment Exchange, Trivandrum	87	(Central Employment vacancies) 87
	22	(Other district vacancies) 22
	134	(local vacancies) 96

The omission was ascribed by the Employment Officer to non-intimation of the results of submission by the employers despite instructions issued by Government in October 1983. Such non-intimation would result in erratic and irregular submission and vitiation of communal rotation rosters. Government stated (October 1985) that action was being taken to alert the Employment Exchanges.



(5) *Maintenance of live registers*

Live registers were not being updated regularly with the result that many applicants due for lapsing continued to figure in the live register, leading to inflation and distortion of unemployment statistics. On a random check of index cards in the live registers of DEE, Trichur, it was noticed that several cards had not been removed, although they had not been renewed within the grace period. Regular purging of index cards was not done in DEE, Ernakulam and TEE, Neyyattinkara also. Government stated (October 1985) that strict instructions would be issued to ensure prompt and systematic purging of index cards.

(6) *Staff training*

The department did not depute its officers to the Central Institute for Research and Training in Employment Service (Ministry of Labour) for training and did not also organise courses for imparting training to staff.

The position of staff trained so far is given below:—

<i>Designation of Officer</i>	<i>Number of officers</i>		
	<i>In position</i>	<i>Trained</i>	<i>To be trained (and its percentage)</i>
District Employment Officer	74	45	29 (39)
Junior Employment Officer	107	32	75 (70)
Clerk	302	42	260 (86)

The failure to arrange training was ascribed by the department to paucity of funds and shortage of hands.

(7) *District and State Committees on Employment*

The State Government were to constitute committees at District level and State level to advise Government on matters concerning employment service. District Committees were last constituted in June 1979 for a period of 2 years. Similarly, a State Committee was constituted in January 1981 for a term of 2 years. Though the terms of the Committees expired in June 1981/January 1983, they have not been reconstituted yet. Government stated (January 1986) that action was being taken for reconstitution of State Committee and that proposals for reconstituting District Committees were awaited from the Director of Employment Services.

(8) *Centrally sponsored schemes for placement of physically handicapped job seekers*

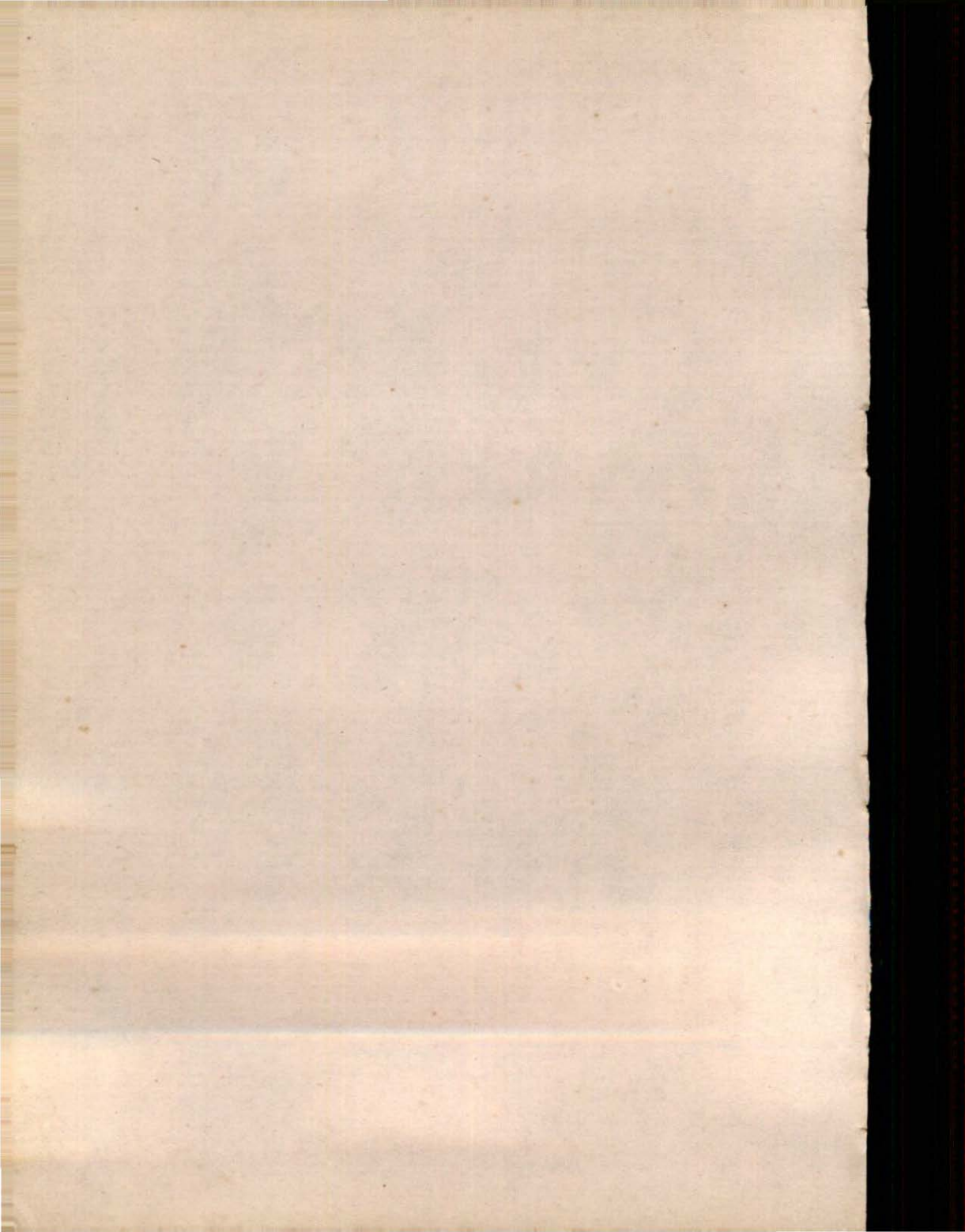
In December 1981, Government accorded sanction for opening of special units for physically handicapped registrants of Divisional Employment Exchange at Kozhikode and DEEs at Quilon, Kottayam and Trichur. Government of India was to bear 50 per cent of the cost. An expenditure of Rs. 5.33 lakhs was incurred on the units to the end of 1984-85. However the expenditure so far reported (May 1985) to Government of India for claiming Central assistance was only Rs 3.44 lakhs covering the period up to the end of March 1984. The assistance was yet to be received (October 1985).

(9) *Departmental inspection*

The general inspection of each Employment Exchange is to be conducted by the officers of the Directorate, at least once in 6 months and by the Director personally at least once a year. The inspection was not, however, conducted to the required extent. The Employment Exchanges at Trivandrum, Quilon and Malappuram were last inspected by the Directorate in May 1981, February 1982 and November 1982 respectively. During 1983-84, half-yearly inspection was conducted by the Directorate only in 12 out of 33 Employment Exchanges, while the annual inspection by the Director was not done in any case. Shortfall in inspection was attributed by the department to paucity of funds, non-availability of suitable officials, diversion of staff for other items of work, etc.

(10) *Employment market information*

Under the provisions of the EE (CNV) Act, besides all establishments in public sector, non-agricultural establishments in private sector employing 25 or more persons are required to furnish to the Employment Exchange details of the number of persons they are employing, vacancies that have occurred and type of persons in short supply. Such information is also collected on voluntary basis from smaller non-agricultural establishments in the private sector employing 10 to 24 persons and plantations employing a minimum of 25 persons. The number of establishments covered under employment



market information study during the years 1980-81 to 1983-84 was as follows:—

<i>Sector</i>	<i>Number of establishments covered during the year ended 31st March</i>			
	1981	1982	1983	1984
Public	6,806	7,027	7,224	8,279
Private	7,946	8,213	8,154	7,413
Total addressed	14,752	15,240	15,378	15,692
Total responded	11,917	13,016	13,534	13,804
Percentage of response	80.8	85.4	88.0	88.0

The Employment Exchanges were to send blank forms to the employers for furnishing the data. In test-check, it was noticed that there was delay on their part up to 63 days in sending the prescribed forms to the employers and also in furnishing consolidated statements to the Directorate.

In December 1979, Government accorded sanction for creating a peripatetic team with a Deputy Director and a Junior Employment Officer in the Directorate and investigators in each district to identify new establishments and update the employers' registers. The target was to cover each district once in a cycle of 2 years. The new peripatetic units started functioning in September 1980. Though the units were to complete the first cycle by September 1982, only 7 districts had been covered till then. The first cycle was completed only in August 1984. The second cycle which was due for completion by September 1984 was started only in November 1984. Reasons adduced for the tardy progress were paucity of funds, diversion of the staff for other items of work, etc.

(11) *Prosecution for violation of Act*

In terms of provisions in the EE (CNV) Act, and the rules framed thereunder, the employers are bound to notify the vacancies to the Employment Exchanges and also to render quarterly returns and biennial returns in prescribed forms. The employers not complying with these provisions are liable

for prosecution. The extent of failure on the part of the employers in notifying vacancies and in furnishing the statutory returns was as follows.

Position during the quarter ended 31st March

		1980	1981	1982	1983	1984
		<i>(Number of employers)</i>				
Failure to notify vacancies	Public Sector	1335	620	NA	} 625 (A)	} 164 (A)
	Private Sector	341	45	NA		
Failure to furnish quarterly/ biennial returns	Public Sector	382	756	NA	} 1829 (A)	} 1251 (A)
	Private Sector	294	413	NA		

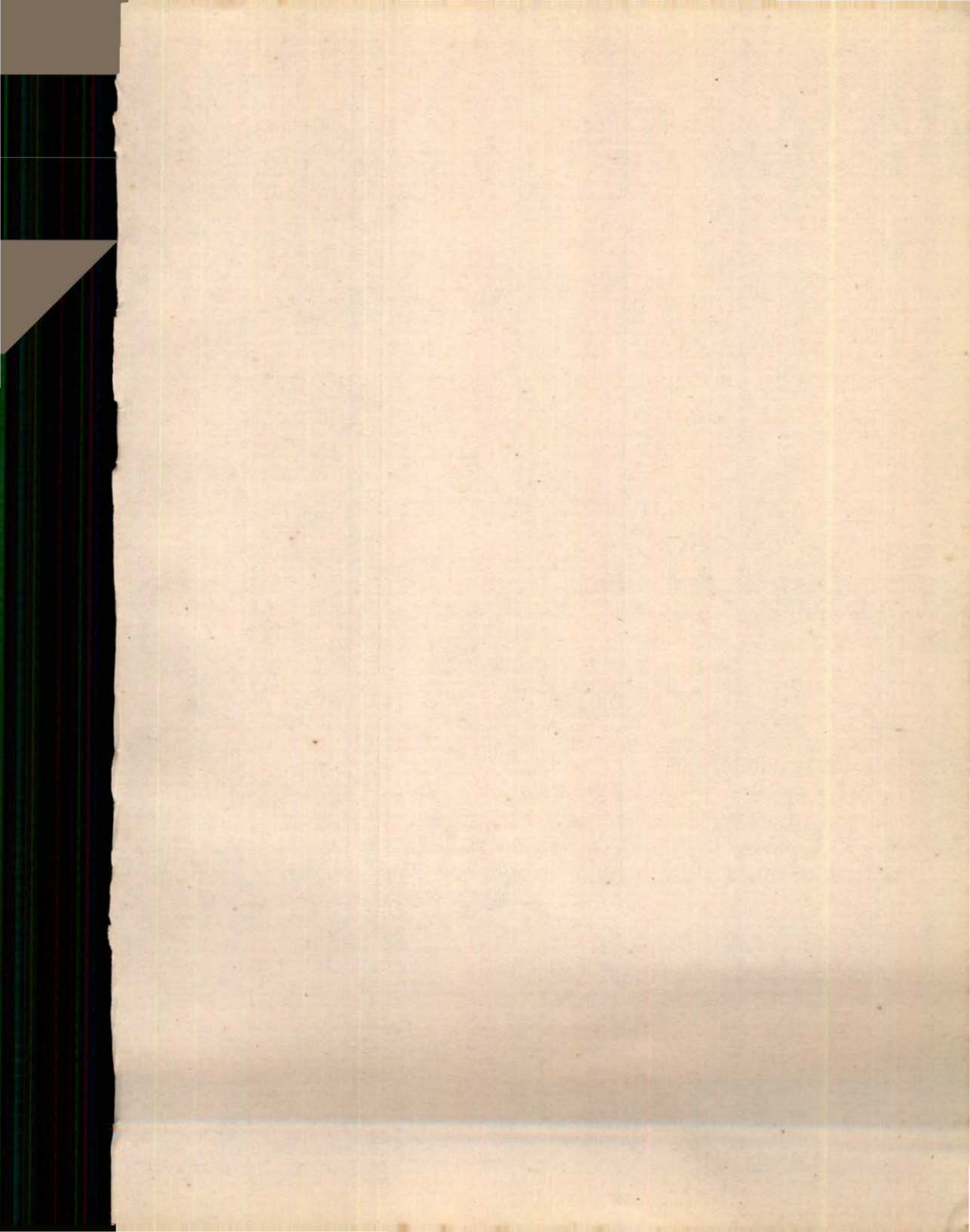
The department had accorded sanction for prosecuting the defaulters in only 2 cases so far (February 1986). The Department stated (November 1985) that attempts were being made through education and persuasion to make the employers comply with provisions in the Act and that in most of the defaulting cases the employers had given assurance of future compliance.

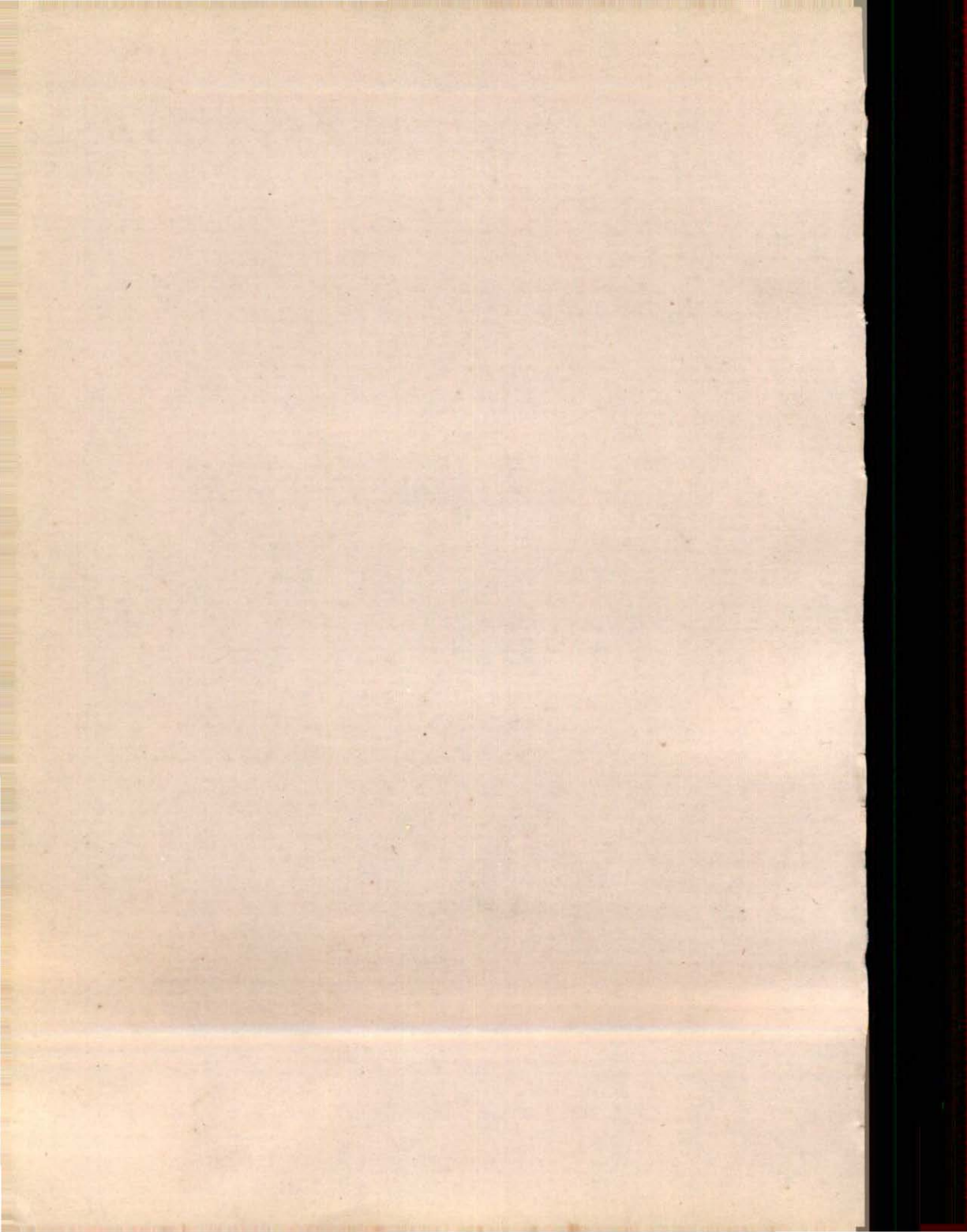
B. Unemployment Assistance Scheme 1980

In May 1980, Government sanctioned a scheme for payment of unemployment allowance at Rs. 50 per month to unemployed persons (excluding students) between 18 and 40 years of age, who were on the live registers of the Employment Exchanges for 3 or more years and whose annual family income from all sources was less than Rs. 4000. The total amount required for payment of assistance for every 2 months was to be assessed and placed at the disposal of the State Co-operative Bank by the Directorate of Employment Services for being passed on to the primary co-operative societies/banks. The State Co-operative Bank was to render half-yearly accounts of payments. The scheme was discontinued from August 1981. The expenditure incurred on the scheme during 1980-81 and 1981-82 amounted to Rs. 17.11 crores (including Rs. 0.02 crore on contingencies).

N.A. Not available

A. Separate figures for public sector and private sector not available.





Though Rs. 17.09 crores were made available to the State Co-operative Bank between 1980-81 and 1981-82 for distribution to the primary co-operative societies/banks, the prescribed half yearly accounts of payments were not furnished by it to the Directorate.

In March 1984, Government instructed the Directorate of Employment Services to take immediate action to get the undisbursed amount refunded by the Bank with 13 *per cent* interest *per annum*. A sum of Rs. 40.36 lakhs was reportedly refunded by the Bank till July 1985. Interest (Rs. 6.72 lakhs) due thereon has not been remitted by the Bank so far (December 1985). The balance pending refund (July 1985) was over Rs. 27.57 lakhs. Interest thereon has also not been remitted yet (December 1985). Details of the amount actually disbursed by the Bank and the amounts lying undisbursed with the primary co-operative societies/banks were not available in the Directorate.

In a number of cases, applicants to whom assistance was sanctioned, were subsequently found ineligible either because they were students or were employed or because their annual family income was not within the prescribed limit. The number of such cases detected by the department in 6 Employment Exchanges test-checked was 1579, involving irregular release of Rs. 3.07 lakhs as assistance. Even after the ineligibility of the candidates was detected, there was delay of 2 to 3 months in advising the societies/banks to stop further payments. In 759 of these cases, the department sent notices to the registrants requiring them to refund the amount. Of these, refund (Rs. 0.05 lakh) was received only in 37 cases; in the other 722 cases, no further action was taken. In the remaining 820 cases, even notices had not been issued.

On a test-check of 100 sanctioned applications in 3 Employment Exchanges, it was seen that in 11 cases where Rs. 0.05 lakh were paid, the annual income of the family as shown in their ration cards exceeded Rs. 4,000 and in 5 of these cases no fresh income certificate from the village officers was obtained before releasing the assistance.

C. Kerala Unemployment Assistance Scheme 1982

The unemployment assistance scheme referred to in paragraph B above was re-introduced in November 1982 with the following changes:—

- (i) The applicants were to have passed SSLC examination and were to be in the age group 18-35.
- (ii) The applications submitted to Employment Exchanges were to be forwarded to Village Officers (VO) for verification and report.

(iii) Payment of assistance was made direct to the beneficiaries by the Employment Exchanges.

(iv) Applicants once found eligible were entitled to get the assistance continuously for a period not exceeding 4 years or such shorter period as specified by Government.

The total expenditure on the scheme during 1982-83, 1983-84 and 1984-85 was as shown below:—

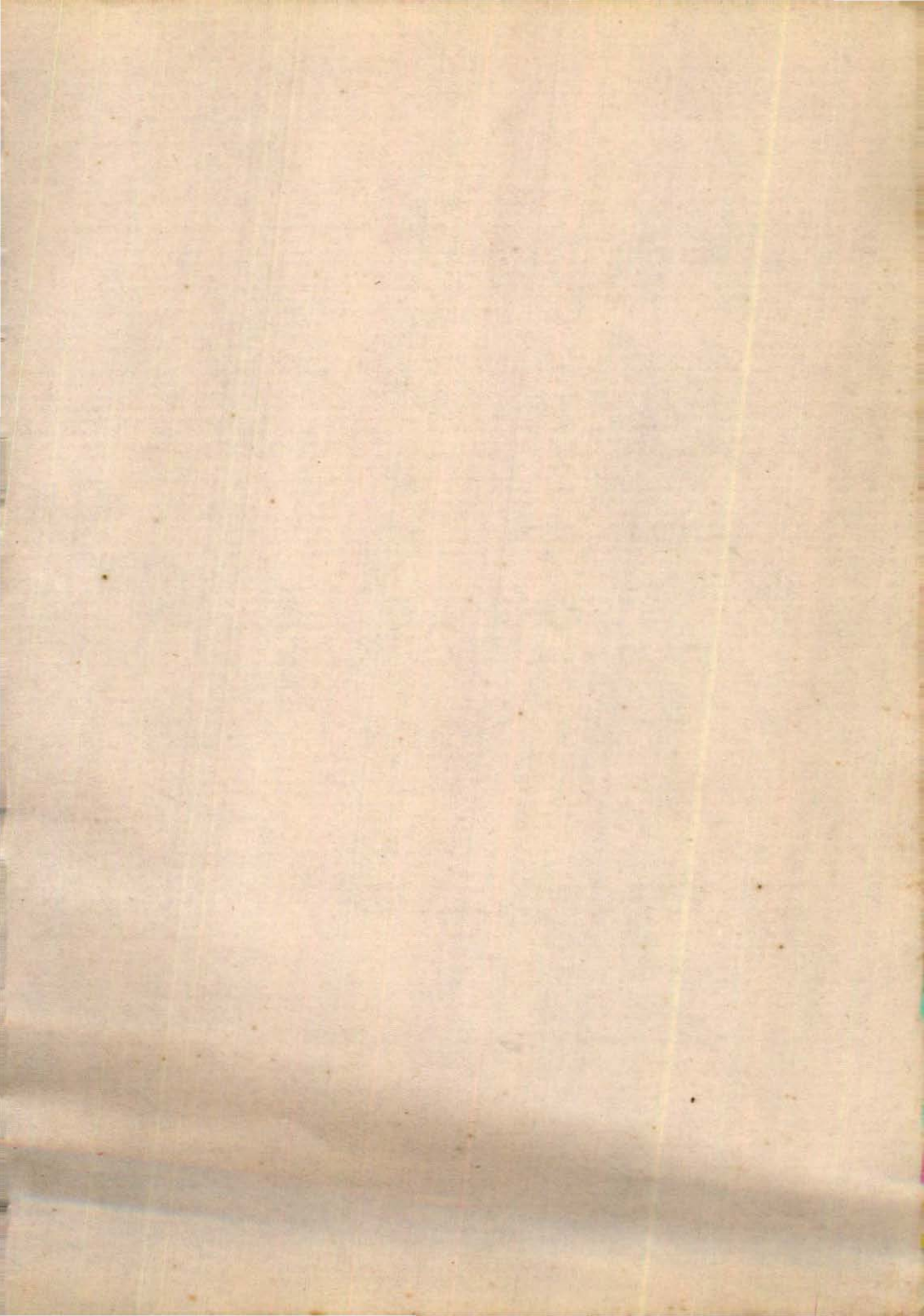
<i>Year</i>	<i>Provision</i>	<i>Expenditure</i> (in crores of rupees)
1982-83	12.60	0.92
1983-84	8.78	7.75
1984-85	9.00	8.98

Short utilisation of provision was mainly attributed to (i) introduction of the scheme towards the close of the year (1982-83) and (ii) delay in processing the applications (1983-84).

According to the time schedule, fresh applications for each year were to be filed by 15th December; verification was to be completed by the 15th January and final decision was to be taken by 31st January. In 4 out of 6 Employment Exchanges test checked, no control registers were maintained to record the dates on which the applications were received, despatched to VOs and returned by them. The time schedule was not adhered to in most cases. For instance, in TEE, Neyyattinkara, not even a single application was forwarded to VOs of Athiyannur and Neyyattinkara villages by 15th January 1983 although 1,906 applications pertaining to the 2 villages had been received by 15th December 1982. Such delay was also noticed in forwarding applications to VOs of Vembayam, Panavoor, Manickal, Ulloor and Attipra villages.

The VOs could not complete the verification by the due date, namely 15th January of each year. Details regarding receipt, disposal and pendency of applications as on 31st December 1984 are given in the following table:—

<i>Year</i>	<i>Total number of applications received in all the Employment Exchanges in the State</i>	<i>Number of sanctioned applications</i>	<i>Number of applications rejected or otherwise disposed of</i>	<i>Number of applications pending with EEs VOs.</i>	
1982-83	1,61,211	88,495	72,076	60	580
1983-84	44,744	26,239	14,022	533	3,950
1984-85	1,02,939	4,817	3,250	20,372	74,500



Though the scheme was introduced in November 1982, the registers/ledgers to be maintained were prescribed by the Directorate only in December 1983. Ledgers required to be maintained in respect of each beneficiary had not been opened in any of the Employment Exchanges owing to non-supply of ledger forms by the Directorate.

In all the Employment Exchanges, the amounts required for payment of assistance were drawn from the treasury and deposited in current account with nationalised banks. In October 1984 the balances in those accounts were ordered to be transferred to savings bank accounts. Had the amounts been deposited in savings bank accounts *ab initio*, Government would have earned more interest. In 5 out of 7 Employment Exchanges test checked, the interest lost due to retention of the amount in current accounts worked out to more than Rs. 0.33 lakh.

The amounts drawn from the treasury by DEE, Quilon from time to time were largely in excess of requirement as may be seen from the following table:—

<i>Date</i>	<i>Opening cash balance</i>	<i>Amount drawn from treasury</i>	<i>Amount utilised</i>	<i>Closing balance on the last day of the period</i>
	<i>(in lakhs of rupees)</i>			
8th to—				
10th October 1983	8.55	..	2.03	6.52
11th October 1983	6.52	5.00	..	11.52
12th to—				
28th October 1983	11.52	..	4.26	7.26
29th October 1983	7.26	5.00	..	12.26
30th October to				
16th November 1983	12.26	..	1.67	10.59
17th November 1983	10.59	6.00	..	16.59

On a test-check of sanctioned applications in 6 Employment Exchanges, it was found that in 121 cases assistance of Rs. 0.58 lakh had been released to ineligible persons. There were instances where reports of VOs were got revised so as to make the applicants eligible for the assistance. In DEE, Quilon, assistance was paid in 2 cases of impersonation of applicants who were reportedly abroad.

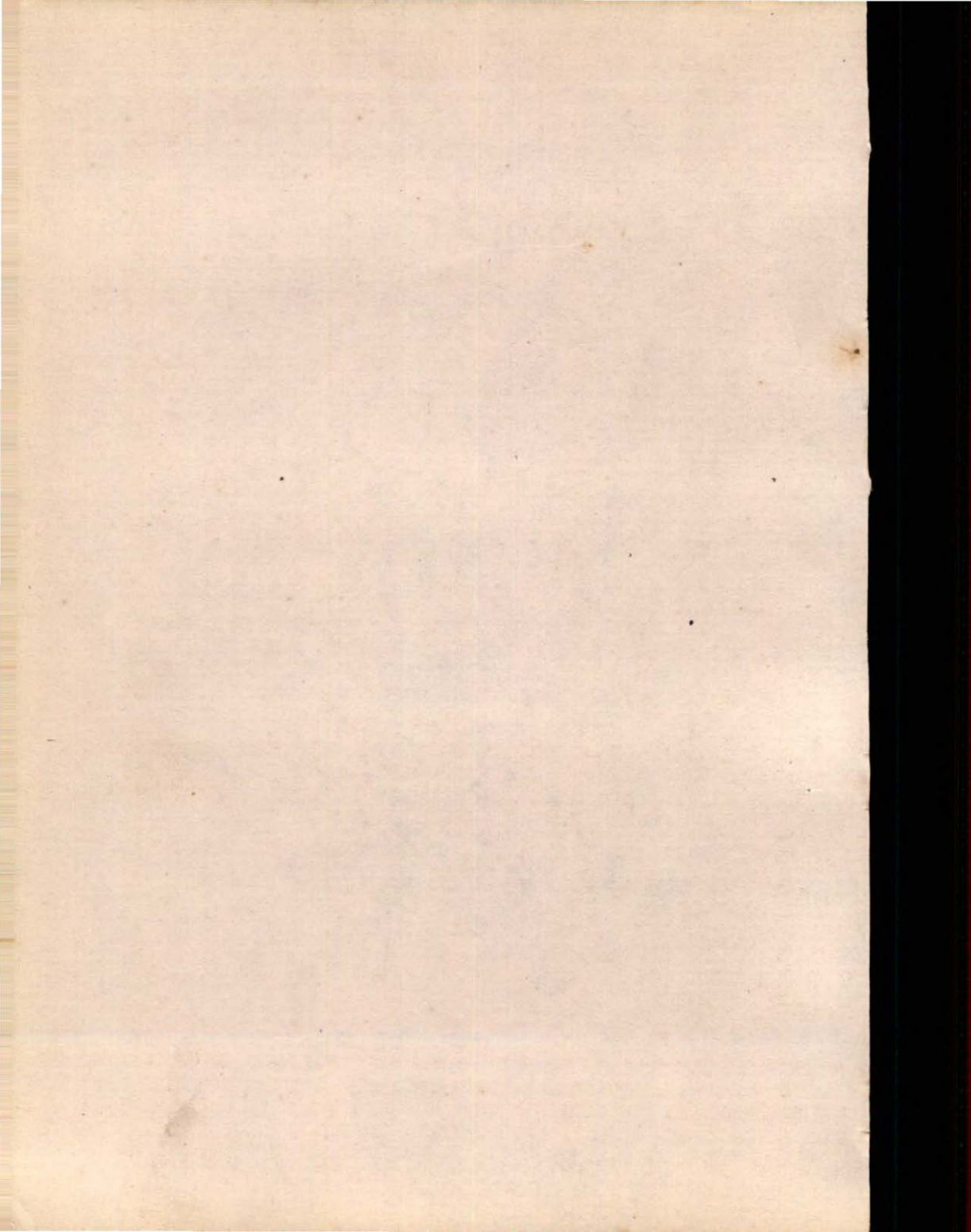
The scheme envisaged payment of assistance for a period of 4 years. Nevertheless, apart from obtaining a declaration from the beneficiary, there was no provision in the scheme for periodical verification of the income/employment status of each beneficiary subsequent to his initial selection.

No internal audit of the accounts has been conducted by the Directorate so far.

D. *Self Employment Scheme 1982*

Under this scheme introduced in November 1982, all unemployed persons (excluding students) in the age group of 18-40 years and having a family income of less than Rs. 4,000 per year, who were on the live registers of Employment Exchanges for 3 years as on the first day of the year of application, were eligible for assistance for starting self-employment projects. After verification of applications by the Employment Exchange and Village Officers, selection was to be done by a district level committee with District Collector as Chairman, District Employment Officer as Convener and the nominees of the District Industries Centre, financing banks, etc., as members. Each beneficiary selected under the scheme was eligible for cash assistance of Rs. 600. However, in case the beneficiary needed bank finance, the assistance was to be deposited in a nationalised bank as seed money for securing a term loan upto Rs. 5,000 from the bank, in addition to any working capital. Such loans were to bear interest at 4 *per cent per annum* in the case of beneficiaries in urban and semi-urban areas with an annual family income not exceeding Rs. 3,000 and those in rural areas with an annual income not exceeding Rs. 2,000. In cases where the annual family income exceeded this limit, the loans were to be given at the normal rates of interest.

According to the scheme, applications received in December 1982 and July 1983 were to be disposed of by the end of January 1983 and September 1983 respectively. It was, however, seen that out of 86,026 applications received in December 1982, 86,016 applications were pending at the close of January 1983 and that out of 15,307 applications received up to the end of July 1983, 6,495 applications were pending at the end of September 1983. Even at the end of March 1984, more than 29,000 applications out of those received in December 1982/July 1983 were pending with the Employment Exchanges. Insufficiency of staff and delay in getting the applications verified by the VOs were the reasons adduced for the delay.



Details of payment of assistance to the beneficiaries as seed money/cash assistance during 1982-83, 1983-84 and 1984-85 are shown below:—

Year	Seed money		Cash assistance	
	No. of beneficiaries	Amount (Rs. in lakhs)	No. of beneficiaries	Amount (Rs. in lakhs)
1982-83	954	5.72	..	..
1983-84	9,544	57.26	16,893	101.36
1984-85	5,013	30.00	12,698	76.19

It would be seen from the above table that more than 64 *per cent* of the registrants preferred the assistance in cash. Some of the reasons adduced by the department for the inadequate response to the bank finance scheme were (i) negative attitude of banks, (ii) insistence of banks on provision of sureties, (iii) inadequacy of funds at the disposal of banks for giving loans at concessional rates, (iv) availability of more attractive bank finance schemes implemented by other departments/agencies, etc.

A register prescribed for recording the details such as the date of opening of the project by the beneficiary, name of financing bank, amount of loan, rate of interest, repayment, etc., was not maintained by any of the Employment Exchanges.

The rate of interest charged by the banks for the loans granted to the beneficiaries was neither intimated by the banks nor ascertained by the department.

No survey was conducted by the department to ascertain whether the beneficiaries were utilising the assistance for starting gainful self-employment schemes. In 2 cases in Employment Exchange, Trichur and one case in Employment Exchange, Ernakulam, the banks had reported that the loans sanctioned by them were misapplied by the beneficiaries. It was reported (November 1985) that in the case of Ernakulam the misutilisation was rectified and the two beneficiaries of Trichur were asked to refund.

Summing up

In spite of steady increase in number of registrants, the percentage of persons sponsored by Employment Exchanges to total number of persons registered with them declined from 19 in 1979-80 to 6 in 1983-84. The *percentage* of placements also declined from 3.03 to 0.55 during the same period.

Private sector employers seldom used the services of the Employment Exchanges for filling up their vacancies. Some public sector undertakings were also not utilising the services of Employment Exchanges for their recruitments.

The prescribed returns had not been received in the Employment Exchanges from the employers regularly.

The Employment Exchanges failed to sponsor candidates against notifications received from other Employment Exchanges in the State and the Central Employment Exchange. In some cases, junior registrants were sponsored by the Employment Exchanges even when seniors were available.

The State Co-operative Bank to which a sum of Rs. 17.09 crores was paid during 1980-81 and 1981-82 for disbursing unemployment allowance had not rendered the accounts of disbursements so far. Out of the unspent amount, a sum of Rs. 40.36 lakhs was refunded by the Bank up to July 1985 and a balance of Rs. 27.57 lakhs was yet to be refunded.

Inadequate verification before sanctioning the unemployment assistance led to grant of assistance of Rs. 3.07 lakhs to 1,579 ineligible persons under the 1980 scheme.

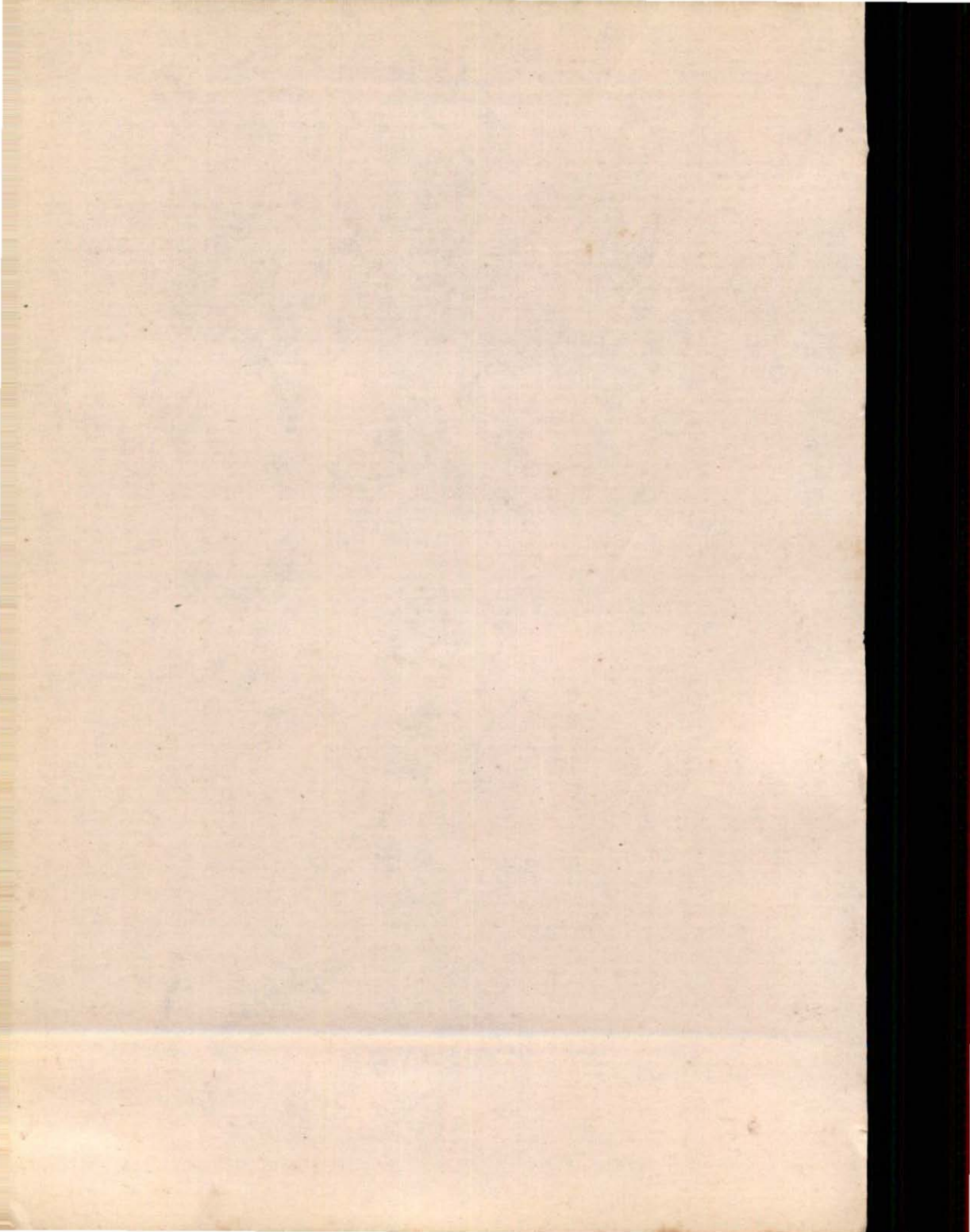
In the implementation of Kerala Unemployment Assistance Scheme 1982, irregularities like under-statement of family income, impersonation, payment of assistance to persons whose registration had expired, etc., were noticed.

Though Rs. 2.71 crores had been paid under Self-Employment Scheme 1982, the prescribed registers for monitoring the projects proposed to be started by the beneficiaries had not been maintained by the Employment Exchanges.

SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

3.15. Rehabilitation of bonded labour

3.15.1. The bonded labour system throughout the country was abolished with effect from 25th October 1975 by the Bonded Labour System (Abolition) Act, 1976 passed by Parliament. On enforcement of the Act, all bonded labourers stood freed and discharged from any obligation to render bonded labour; further, their bonded debt, if any, was deemed as liquidated. Since then, the State Government have made efforts to rehabilitate the emancipated



bonded labourers under various ongoing programmes relating to area development and welfare of backward classes. In addition, a Centrally sponsored scheme eligible for 50 per cent Central assistance in the form of grant, is also being implemented from 1978-79. This scheme was dovetailed with similar other ongoing State schemes. The central objective of these schemes was the effective rehabilitation of bonded labourers besides augmenting their incremental income in such a manner as would lift them above the slavery of bonded labour and consequently above the poverty line and improve the quality and standard of their lives.

The number of bonded labourers reported as identified in the State between 1976 and 1981 was 829 (Wynad: 545; Malappuram : 150; Kozhikode: 117; Cannanore: 17). Of these, 710 (Scheduled castes: 22; Scheduled tribes: 687; others: 1) were reported as rehabilitated till the end of March 1984. Details of expenditure incurred on rehabilitation, Central assistance received etc., are given in the table below:—

Year	Central	Expenditure	Total	Central	Excess
	assistance	met from		assistance	Central
	received	State funds		admissible	assistance
			(Rupees in lakhs)		
Upto					
1980-81	2.25	16.95	19.20	0.78	1.47
1981-82	1.52	13.89	15.41	0.57	0.95
1982-83	..	12.48	12.48	..	..
1983-84	5.76	3.06	8.82	0.86	4.90
Total	9.53*	46.38**	55.91	2.21	7.32

A review was conducted between December 1984 and March 1985 on the implementation of rehabilitation scheme with reference to the records in the Directorate of Tribal Welfare and the Collectorates and Tribal Development Offices in four districts (Kozhikode, Malappuram, Wynad and Cannanore) and the important points noticed are enumerated below:—

3.15.2. *Vigilance Committee*

The Act envisaged constitution of vigilance committees in each district and each sub division for keeping a constant vigil to detect incidence of bonded

*Central assistance admissible was Rs. 2.21 lakhs according to the scale prescribed by Government of India as against Rs. 9.53 lakhs received.

**Includes Rs. 8.45 lakhs spent during 1978-79 on the Tribal Collective Farm, Pookot for which Central assistance was claimed under the "Western Ghats Development Programme".

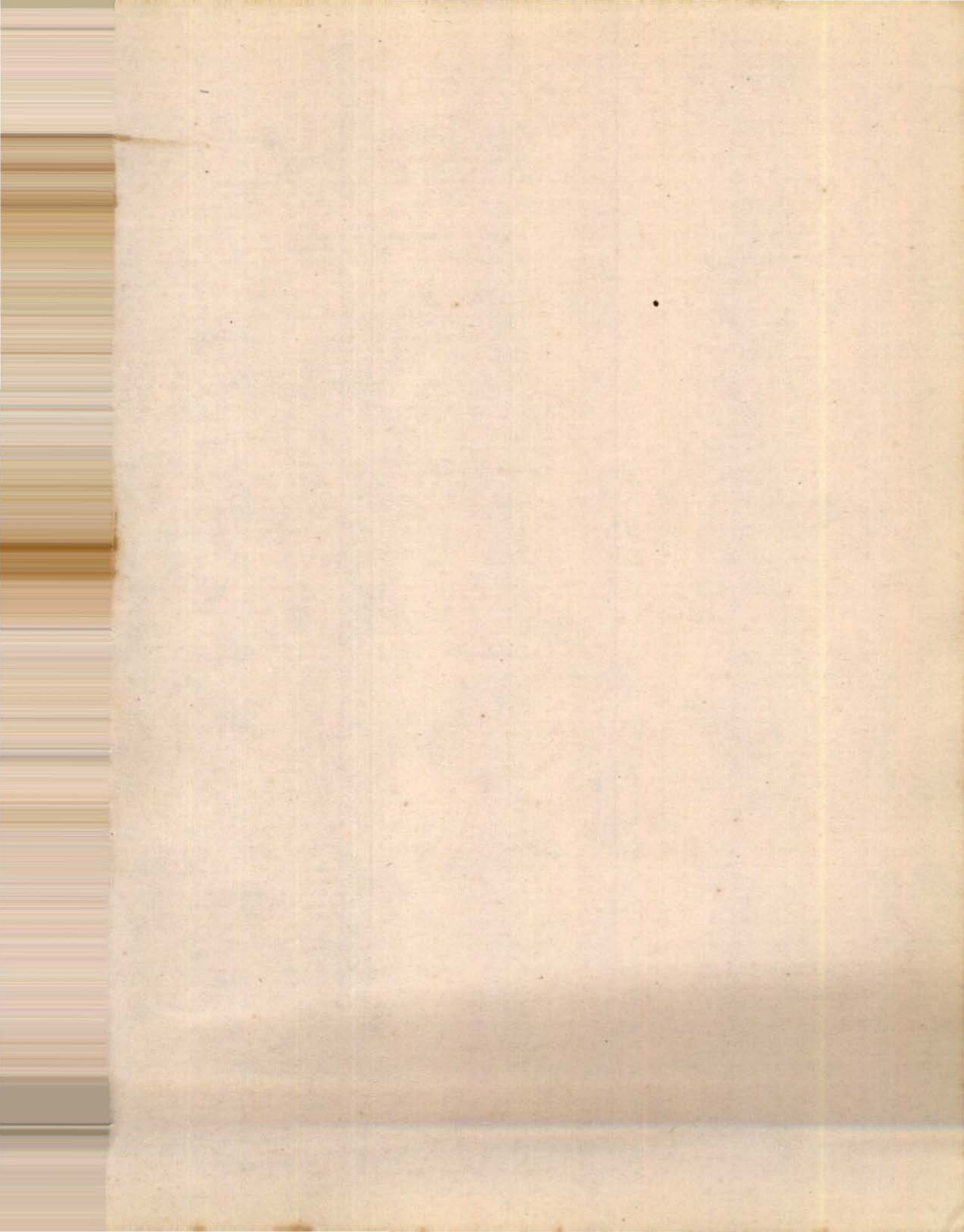
labour, identify and release bonded labourers wherever they existed and prevent recurrence of the system. However, vigilance committees were constituted in 1976 only in five out of the eleven districts then existing in the State. In a new district (Wynad), formed in November 1980, vigilance committees were constituted only in June 1982; in two more districts formed later in November 1982 (Pathanamthitta) and May 1984 (Kasaragod), vigilance committees were yet (November 1985) to be constituted. The Supreme Court in a judgement on writ petition No. 2135 of 1982 observed (December 1983) that "it would not be right for the State Government not to constitute vigilance committees on the assumption that there are no bonded labourers at all". Notwithstanding this, 8 out of 14 districts in the State were still without vigilance committees. The reasons for not constituting vigilance committees in these districts called for from Government in April 1985 were awaited (April 1986).

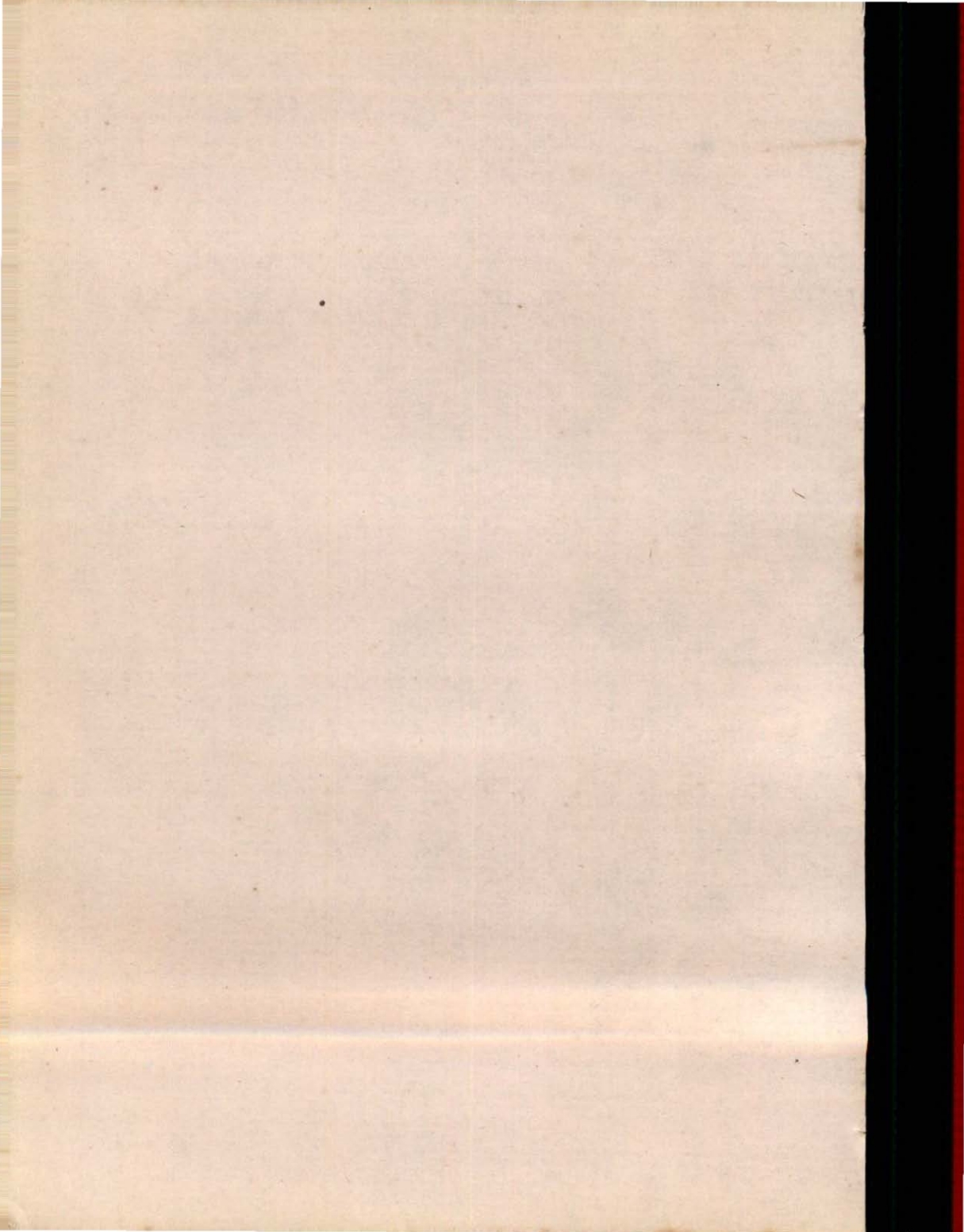
The term of vigilance committees was initially fixed as one year and was later extended to two years (March 1983). Though the prescribed term was over, vigilance committees constituted in three districts had not been reconstituted; in the other three districts, reconstitution was delayed for more than five years.

Under the Bonded Labour System (Abolition) Rules 1976, each district vigilance committee is required to maintain registers showing: (a) the names and addresses of freed bonded labourers; (b) their vocation, occupation and income; and (c) the benefits provided to them in the form of land, inputs for agriculture, loans, employment, training, etc. It was, however, noticed that none of the vigilance committees had maintained the prescribed registers. When this was pointed out in Audit, the District Collectors stated that the prescribed registers would be maintained.

3.15.3. *Identification and release*

According to the definition given in the Act, "bonded labourer means a labourer who incurs or has or is presumed to have incurred a bonded debt". It was, however, found that none of the 829 bonded labourers reportedly identified in the State (700 in 1976; 117 in 1980 and 12 in 1981) came under the definition of bonded labourer as debtor-creditor relationship could not be clearly brought out. In one district (Kozhikode) it was reported that there was no bondage from which the labourers were to be released, as tribals (Paniyas, Adiyas and Kattunayickans) who were permanently kept by their ex-landlords for manual work on petty remuneration were no longer detained under such conditions and that even in some isolated instances of reported





bondage, it was not possible to verify it for want of incriminating proof. The only criterion adopted (April 1980) for identification of 117 tribals as bonded labourers in the district was their willingness to be settled as bonded labourers in the colony proposed for the purpose.

In respect of 99 other persons treated as bonded labourers from these tribal communities in South Wynad Taluk (now forming part of Wynad District) based on surveys conducted by a task force constituted for the purpose, no records were available with the vigilance committee to prove the existence of bonded debt.

Release certificates were to be issued to the identified bonded labourers. However, no such certificates were issued in any case. The reasons for not issuing the certificates were awaited from the department (December 1985).

In August 1978 the Government of India had advised the State Government to instruct the District Collectors (*ex officio* District Magistrates) to issue identification certificates to all the bonded labourers released under the Act to facilitate their registration with Employment Exchanges for being treated as a priority group and to secure age relaxation for appointment to Group 'C' and 'D' posts in Central Government. The State Government issued directions on these lines only in November 1983. However, no action was taken even thereafter by the District collectors for issuing identification certificates. The State Government informed Government of India in September 1984 that identification cards in respect of bonded labourers already released and rehabilitated were not necessary and that identity cards with photographs would be issued to bonded labourers identified in future.

3.15.4. *Rehabilitation*

The number of freed bonded labourers reported to Government of India as identified in the State included 6 instances of duplication. Excluding these, out of 823 labourers 710 were reported to have been rehabilitated upto March 1984. Of the remaining 113 persons, 3 were no more and 48 were not traceable. The balance 62 did not require rehabilitation as they possessed land and had independent means of livelihood.

Rehabilitation measures were not initiated immediately in all cases and the time-lag between identification and rehabilitation in 521 cases ranged from one to seven years.

According to the district-wise details available with the Directorate of Tribal Welfare, the number of bonded labourers rehabilitated in the State

was only 709 against 710 reported by the State Government to the Government of India. On an analysis, it was further noticed that the number actually rehabilitated was only 536 as detailed below:—

	<i>Number reported as rehabilitated</i>			<i>Number actually rehabilitated</i>		
	<i>Land-based</i>	<i>Non-land based</i>	<i>Total</i>	<i>Land-based</i>	<i>Non-land based</i>	<i>Total</i>
(a) Centrally Sponsored Scheme	207	240	447	68	240	308
(b) State Schemes	138	124	262	138	90	228
Total	345	364	709	206	330	536

The reasons for the discrepancy have not been investigated and clarified by the department.

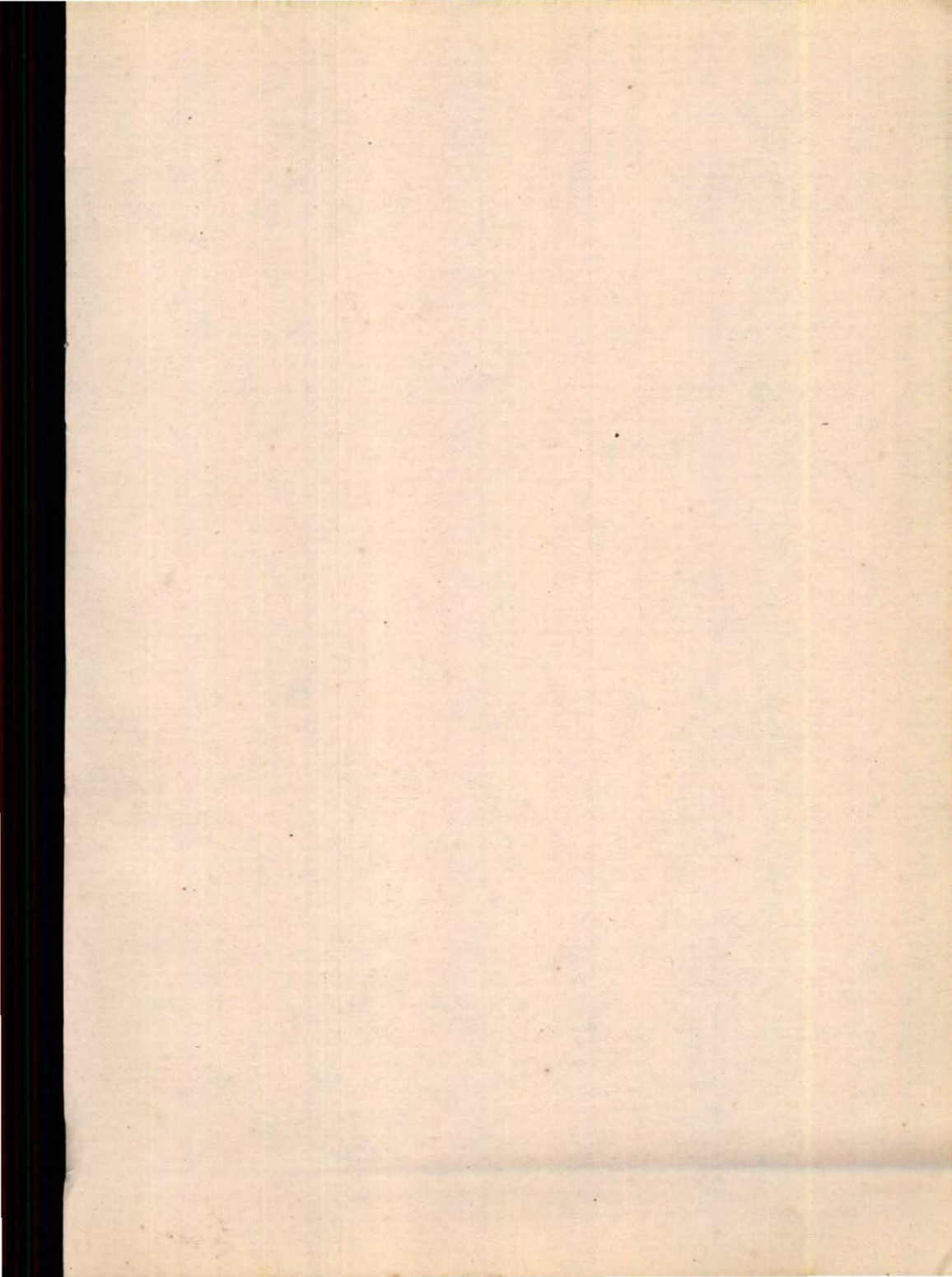
(a) *Land-based schemes*

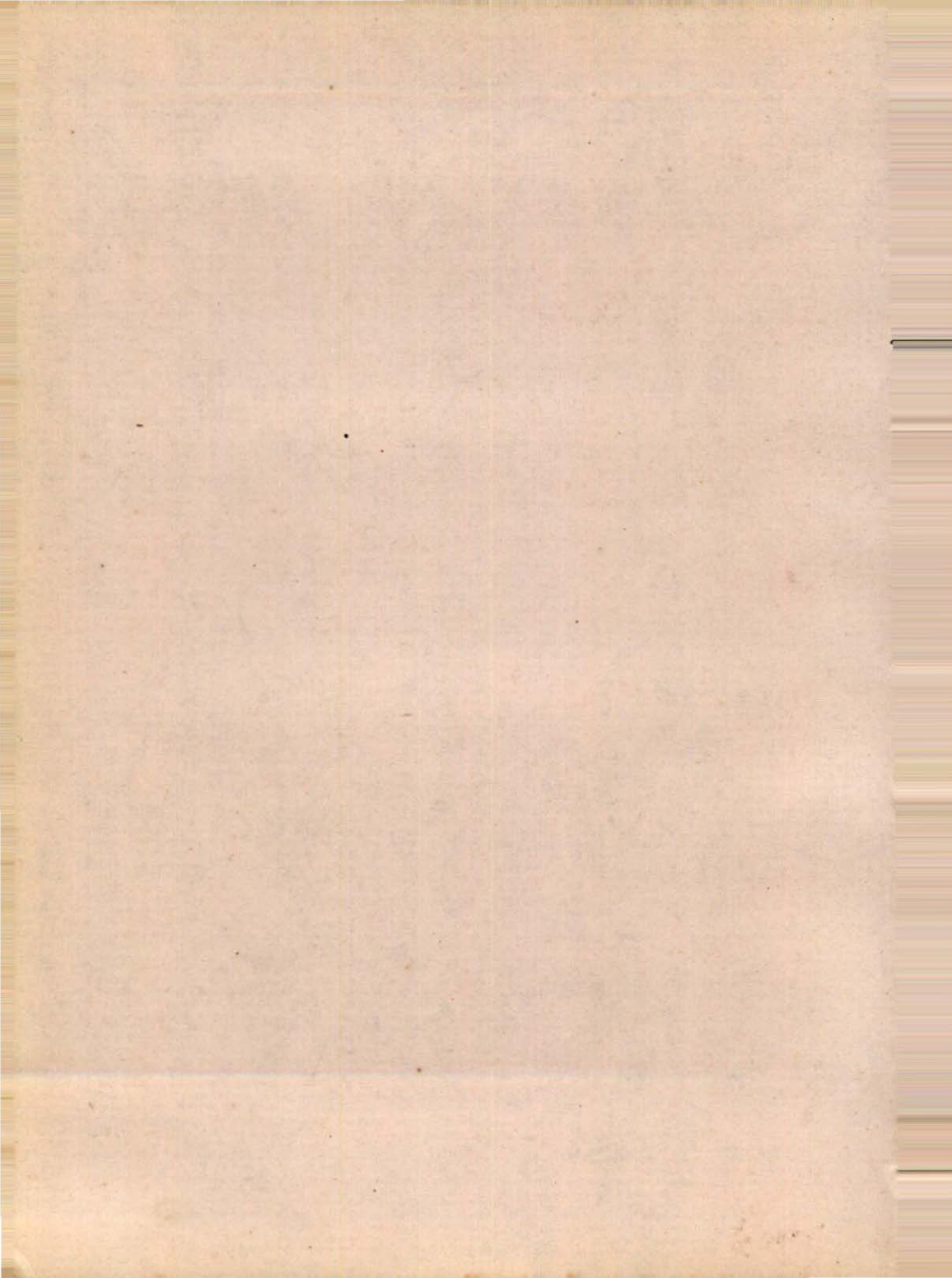
(i) *Tribal Collective Farm, Pookot*

A tribal collective farm was established at Pookot (Kozhikode District) in February 1979 for rehabilitation of 110 bonded labourers and Central assistance of Rs. 1.65 lakhs was received during 1978-79 for the purpose. Although the entire expenditure on the farm was reimbursed fully by the Government of India in February 1980 under another programme, viz., Western Ghats Development Programme, the Director of Tribal Welfare did not surrender the Central assistance of Rs. 1.65 lakhs received for the bonded labour rehabilitation scheme. The amount is still to be refunded to the Government of India. Further, out of 72 persons rehabilitated in the farm against the target of 110, only 19 were from the approved list of identified bonded labourers.

(ii) *Tribal Collective Farm, Vattachira*

A collective farm was established at Vattachira (Kozhikode District) in June 1980 for rehabilitation of 60 identified bonded labourers. A Special Officer was appointed in September 1980 to implement the scheme and 103 hectares of land were made available for the farm. The scheme envisaged construction of 60 houses for beneficiaries, an office building and a store, residential quarters for the Special Officer and his staff, internal roads and





provision of irrigation facilities. According to the land use plan in the project report, the land was to be used for planting annual and perennial crops in a phased manner. The cost of cultivation during the first 2 years was to be fully met by Government. Institutional finance was to be availed of during succeeding years for raising perennial crops. In March 1981, a society for running the farm with the District Collector as Chairman and the Special Officer as Managing Director was registered and all the beneficiaries were enrolled as its members.

Central assistance to the extent of Rs. 1.4 lakhs was received during 1979-84 for rehabilitating 70 bonded labourers in the farm as against 60 envisaged in the scheme. However, the number settled was only 49, of whom 7 subsequently left the farm.

An office building and a store were constructed in March 1981 within the project area at a cost of Rs. 1.73 lakhs. Even after this, the office of the Special Officer continued to function in a rented building 6 km. away from the farm. The expenditure incurred on rent upto January 1985 amounted to Rs. 0.11 lakh. The Special Officer stated in February 1985 that the office could not be shifted to the new building for want of residential accommodation in the project area. No action was initiated by the Special Officer for construction of staff quarters though envisaged in the scheme. The office building and the store have been occupied by the society from March 1981, without paying any rent so far.

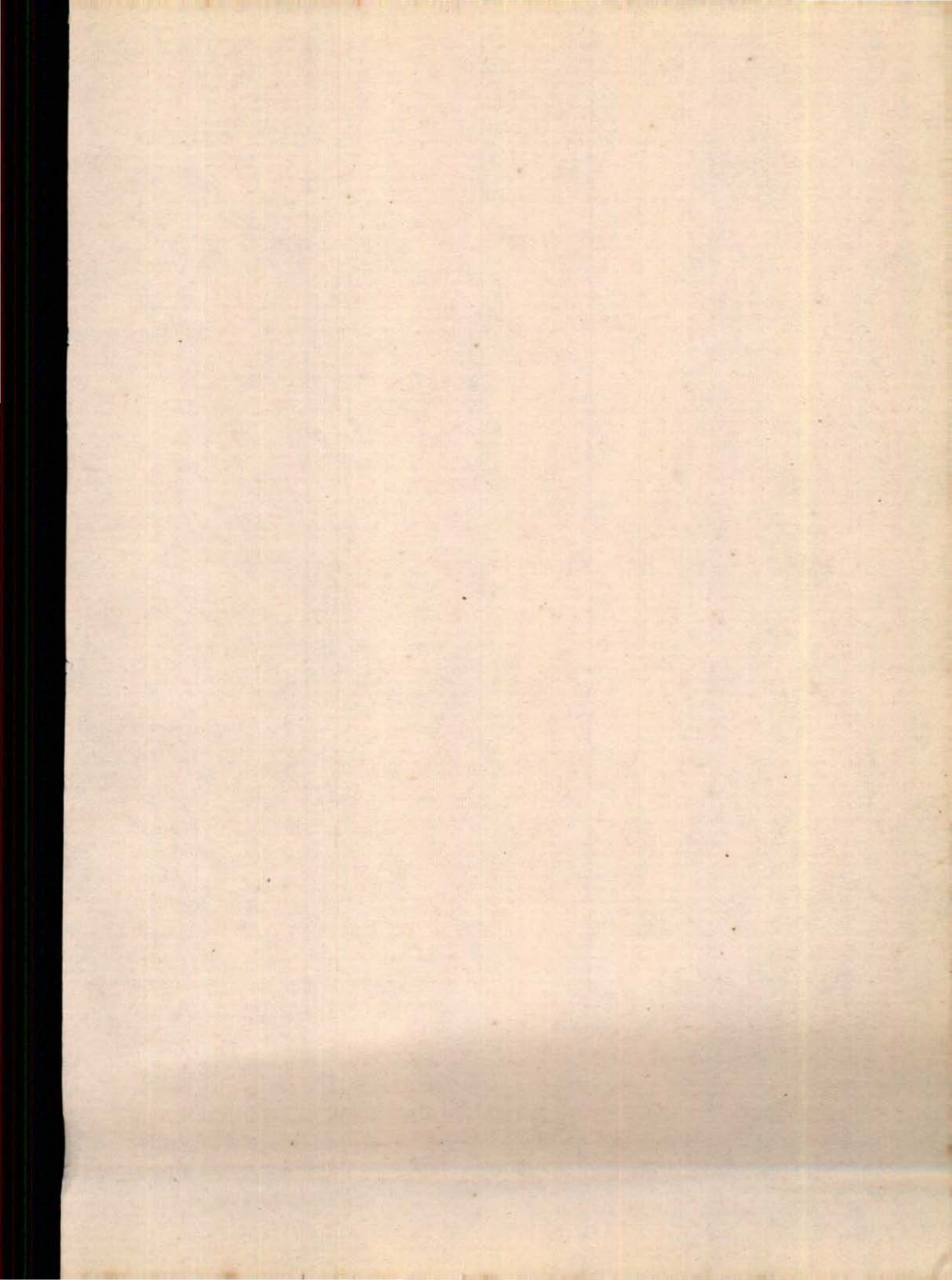
A sum of Rs. 2.88 lakhs required for construction of houses for 60 beneficiaries was advanced to the society in January 1982 by the Special Officer. The society entrusted (February 1982) the work to a contractor and paid him an advance of Rs. 0.86 lakh. The work was stopped when the construction reached basement level as it was found defective on inspection in October 1982. Construction of 42 houses for 42 beneficiaries who continued to remain in the farm was later undertaken under another programme (National Rural Employment Programme) and the work was reportedly in progress (February 1985). Instead of refunding the unutilised advance of Rs. 2.02 lakhs, the society deposited (September 1983) the amount in a co-operative bank and appropriated the interest (Rs. 0.16 lakh). The Special Officer stated (February 1985) that action was being initiated to refund the amount and that proceedings for recovery of Rs. 0.86 lakh paid to the contractor responsible for the defective work were pending with the Assistant Registrar of Co-operative Societies (General), Kozhikode.

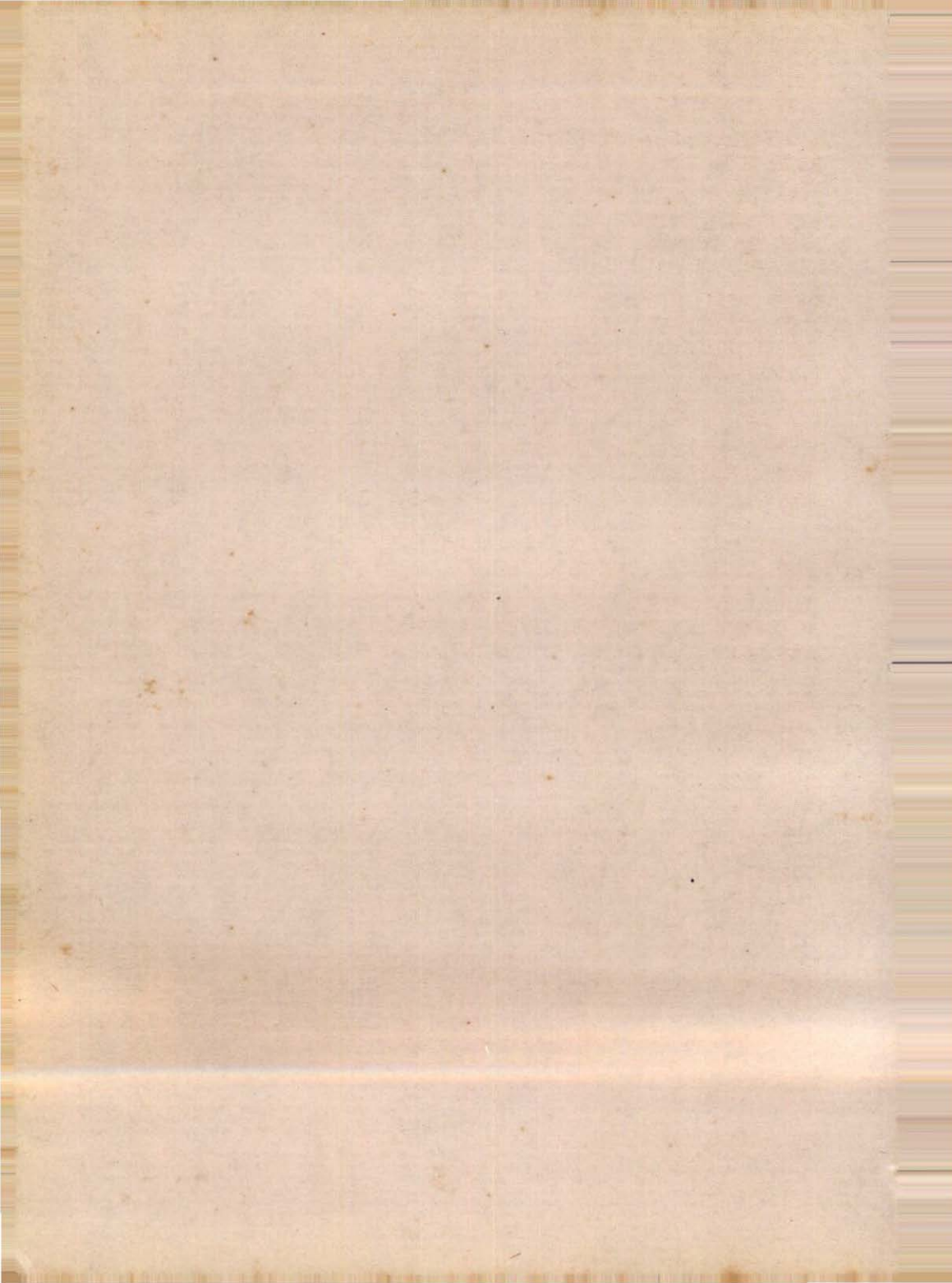
The following table compares the area brought under cultivation with the targets fixed:—

Year	Area allotted						
	Area already brought under cultivation						
	Annual crops					Perennial crops	
	Tapioca	Banana	Ginger	Paddy	Pineapple	Coconut	Pepper
1980-81	10.00	10	..	..	..	20	..
	6.55	..	1	3.5	..	..	..
1981-82	20.00	10	15	6	..	40	15
	19.50	..	..	6	..	5	5
1982-83	20.00	10	30	6	5	60	30
	10.00	..	..	..	..	10	10
1983-84	20.00	10	40	6	..	60	40
	5.00	2.5	0.5	..	..	15	15

Cultivation expenses of annual crops during the first and second years were estimated at Rs. 3.79 lakhs and the amount was released to the farm—Rs. 1.32 lakhs in March 1982 and Rs. 2.47 lakhs in February 1983.

Government released Rs. 1.50 lakhs for the cultivation of banana in 10 hectares each during the first and second years, but banana cultivation was started only during the fourth year and that too only in 2.5 hectares. Against Rs. 1.20 lakhs released for the cultivation of ginger in 15 hectares, the achievement was one hectare during the first year and 0.5 hectare during the fourth year of operation. Even though pineapple was to be cultivated in 5 hectares in the 3rd year of operation, no steps were initiated for it. As regards tapioca cultivation, achievement during the four years was below 50 per cent of the target except during 1981-82. Achievement in the cultivation of coconut and pepper was 25 per cent and 37.5 per cent respectively of the targets fixed. For the cultivation of perennial crops, no assistance was received from Government and the expenditure (Rs. 1.47 lakhs) on these crops was met by diversion of the sale proceeds of annual crops. No institutional finance was raised for cultivation from the third year onwards though envisaged in the project report.





The project report envisaged a net profit ranging from Rs. 1,100 to Rs.7,500 per hectare from cultivation of short-term crops. Test-check (January 1985), however, showed that the farm could not limit cultivation expenses within the ceiling contemplated in the project report. To the end of June 1984, the farm spent Rs. 3.51 lakhs on cultivation of short-term crops, out of which Rs. 2 lakhs pertained to expenditure on crops yet to be harvested. Against Rs. 1.51 lakhs spent on crops harvested till June 1984, the amount realised from sale proceeds was only Rs. 0.95 lakh. Thus the cultivation resulted in loss of Rs. 0.56 lakh, although according to the per-hectare norms in the project report a minimum net profit of Rs. 0.90 lakh was expected from the cultivation.

There was delay in harvesting and marketing the remaining crops. For instance, standing crops of tapioca planted in 1982 and 1983 at a cost of Rs. 1.15 lakhs had not been fully harvested even by February 1985.

An amount of Rs. 0.59 lakh was released to the society in February/March 1982 for imparting training in brick-making and laterite-stone-cutting to 20 tribal youths with the intention of providing them with gainful employment on completion of training. Though an amount of Rs. 0.45 lakh was spent on training up to August 1982, none of the trainees could be provided with employment. A brick manufacturing unit proposed to be established in the farm for absorbing the trainees was not started on the ground that quality of clay available in the farm was not good. The Special Officer stated (February 1985) that the trainees did not successfully complete the training. Thus, the amount of Rs. 0.45 lakh spent on training became infructuous. The society had not refunded the unutilised balance of Rs. 0.14 lakh, nor had it rendered to the department the necessary utilisation certificate.

(iii) *Wynad Colonisation Scheme*

In February 1982, Government sanctioned a scheme for rehabilitation of 75 bonded labourers in Wynad District at an estimated cost of Rs. 10 lakhs. Central assistance of Rs. 1.50 lakhs was received for the scheme. The District Collector, Wynad drew Rs. 8.46 lakhs (Rs. 5 lakhs in March 1982 and Rs. 3.46 lakhs in March 1983) out of the provision made for the scheme and deposited the amount in the State Bank of India, Kynatti during March-July 1983. The full extent of land required for the scheme was 38.30 acres; against this, only 20 acres costing Rs. 1.21 lakhs was purchased till July 1983. The land purchased was found to be inadequate to settle 75 families. A revised and enlarged project report envisaging an outlay of Rs. 176 lakhs for starting

coffee/tea plantation in an area of 300 acres of forest land and running dairy units etc., to settle 109 families (including 75 proposed earlier) was prepared and forwarded by the District Collector to Government in July 1984 for approval. Sanction of Government is awaited (November 1985). Although rehabilitation was not possible under the original scheme, the unutilised amount of Rs. 7.25 lakhs had not been refunded (April 1985). The action of the department in drawing the amount in advance of requirement and keeping it outside the Consolidated Fund was irregular.

(b) *Non-land based schemes*

(i) Under the non-land based schemes, cows, buffaloes, goats or sheep, pigs, etc., were to be supplied to the beneficiaries. Number of persons benefited under these schemes to the end of 1983-84 was 330, of whom 240 were provided with assistance under the Centrally sponsored scheme.

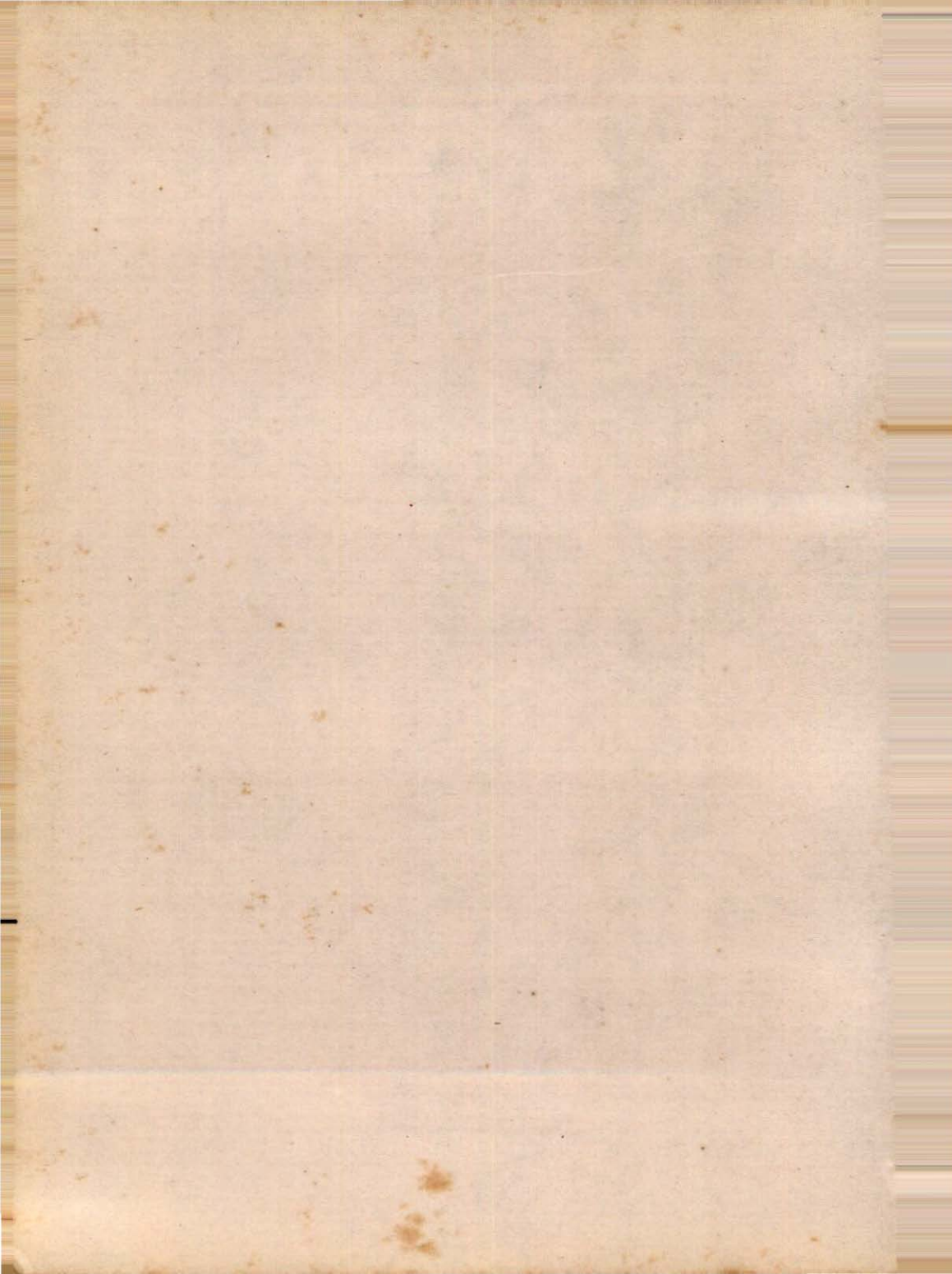
Eighteen cows (cost: Rs. 0.45 lakh) were distributed under the scheme. The beneficiaries were prohibited from parting with the cows within a period of 3 years. Departmental officers were to visit the premises of beneficiaries once in three months to ensure their continued retention of cows. No action was, however, taken by the department in this regard. Insurance cover was also not provided for any of the cows.

During 1983-84, 170 persons were supplied with five goats each as rehabilitation assistance. In Kozhikode District, about 75 per cent of the 150 goats supplied in May-June 1984 were later reported to have died (November 1984). The high mortality was attributed to lack of experience of the beneficiaries in maintenance of goats.

In Wynad District, majority of the 50 goats supplied were no longer with the beneficiaries; the circumstances in which they lost possession of the goats had not been ascertained by the department (January 1985). As regards the 650 goats (cost: Rs. 1.30 lakhs) supplied to the remaining beneficiaries, no attempts were made by the department to ascertain through field visits whether they were being maintained properly.

(ii) *Register of grantees*

Under the schemes for distribution of milch cows, construction of cowsheds, etc., each Tribal Development Officer was to maintain a register of grantees containing details of assistance given. The Tribal Extension Officers



were to visit the grantees' premises once in 3 months and report the condition of the cows/cow-sheds to the Tribal Development Officer who was to record the findings in the register of grantees. The register was, however, not maintained by the departmental officers.

(iii) Under 'Antyodaya Programme' implemented by the State Government without Central assistance, 30 bonded labourers were proposed to be rehabilitated by providing them with goats, bucks and poultry birds. Though this assistance was not admissible under the scheme to persons having more than 0.20 hectare of land, the assistance was given to 9 such persons who were not eligible.

3.15.5. *Absence of evaluation*

One of the conditions for the release of Central assistance was that the State Government should ensure that the economic units such as poultry/goat/sheep-rearing/ milch animals, etc., proposed to be given were adequate to provide the beneficiaries with substantial income to make a living for themselves and their families. There was no indication that this had been ensured.

The State Government instructed the Directorate of Tribal Welfare in August 1983 to review the impact of the scheme on the life and income of freed bonded labourers. No such evaluation has, however, been conducted to ascertain whether the liberated bonded labourers had been lifted above the poverty line. In the absence of proper evaluation, it could not be said that the benefit had actually gone to the intended beneficiaries.

Summing up

Out of 823 bonded labourers (excluding 6 cases of duplication) reportedly identified in the State, the number rehabilitated according to the details available with the department was only 536 and not 710 as reported to Government of India.

In Vattachira tribal collective farm established in 1980 to settle 60 bonded labourers, the number actually settled was only 49, of whom 7 subsequently left the farm. Cultivation of short term crops in the farm during the first 4 years resulted in a loss of Rs. 0.56 lakh as against a minimum net profit of Rs. 0.90 lakh anticipated in the project report.

Out of Rs. 8.46 lakhs drawn in March 1982 and March 1983 for Wynad colonisation scheme, Rs. 7.25 lakhs remained in deposit with a bank;

premature drawal of money and its retention outside the Consolidated Fund of the State were irregular.

No monitoring/evaluation has been undertaken to ascertain the actual impact of the programme.

The matter was reported to Government in July 1985; their reply is awaited (April 1986).

3.16. Misappropriations, losses, etc.

One hundred and sixty one cases of misappropriations, losses, etc., involving Government money and reported to Audit to end of March 1985 were pending finalisation at the end of September 1985. Department-wise analysis of the outstanding cases is given in Appendix 3.3.

Year-wise analysis of the outstanding cases is given below:—

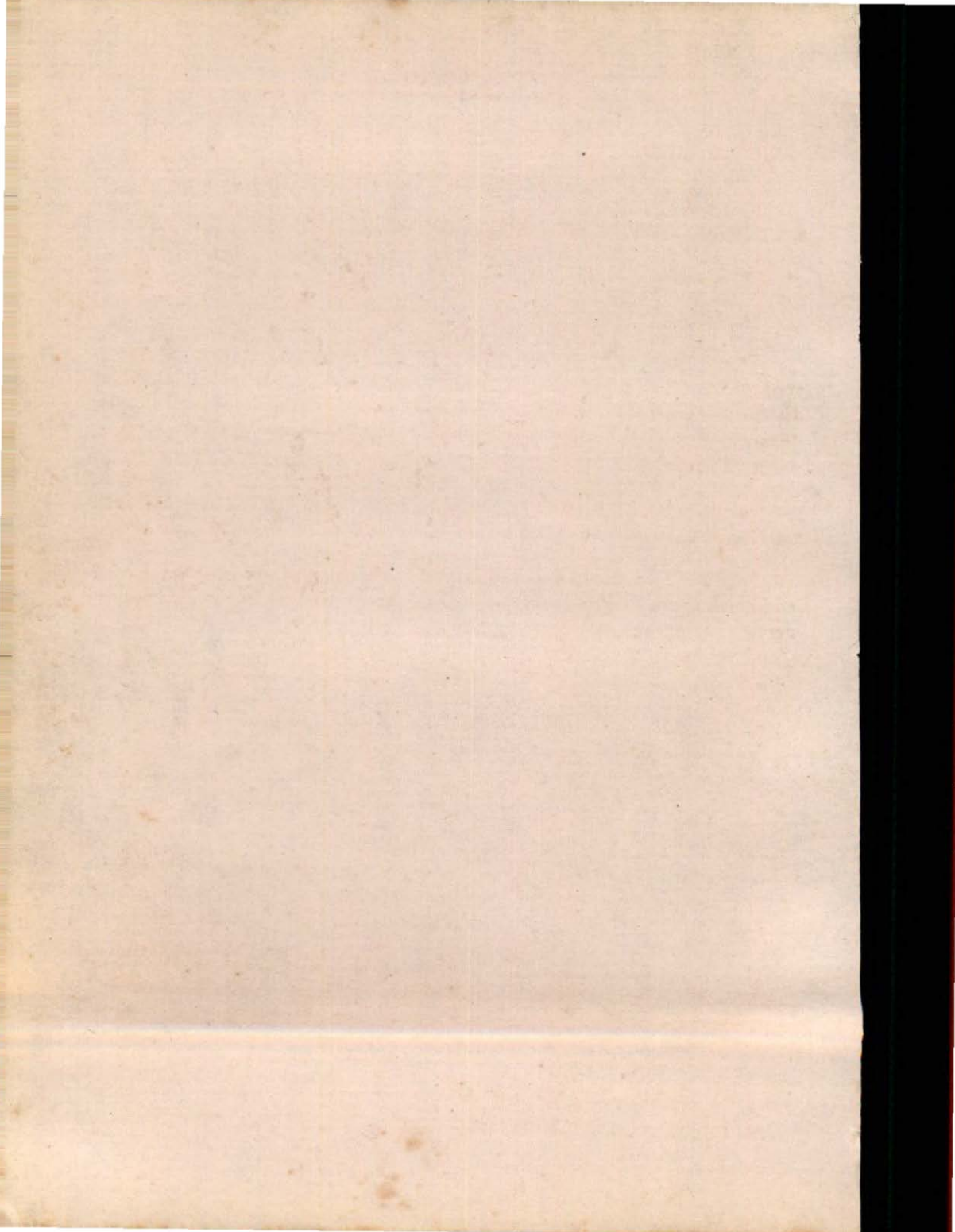
<i>Year</i>	<i>Number of cases</i>	<i>Amount (in lakhs of rupees)</i>
1979-80 and prior years	117	41.05
1980-81	10	1.49
1981-82	11	1.29
1982-83	11	4.70
1983-84	5	3.59
1984-85	7	2.86
Total	161	54.98

The reasons for the pendency are indicated below:—

	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
(i) Awaiting departmental and criminal investigation	47	10.80
(ii) Departmental action started but not completed	55	22.12
(iii) Awaiting orders for recovery or write off	25	13.02
(iv) Pending in courts of law	34	9.04
Total	161	54.98

3.17. Writes off and waivers

Information received in Audit about writes off and waivers made during 1984-85 is given in Appendix 3.4.



CHAPTER IV
WORKS EXPENDITURE
IRRIGATION DEPARTMENT

4.1. Major and Medium Irrigation Projects

4.1.1. *General*

(1) *Introduction*

From April 1978, projects having a cultural command area (CCA) of more than 10,000 hectares are classified as major projects and those having CCA between 2,000 and 10,000 hectares as medium projects (prior to April 1978, projects costing more than Rs. 5 crores were treated as major and those costing between Rs. 0.50 crore and Rs. 5 crores as medium).

When Kerala State was formed on 1st November 1956, it had only seven ongoing major projects. These were commissioned between 1959 and 1973.

Out of 14 major and 3 medium projects taken up subsequently (to the end of Sixth Plan Period), only 3 major projects have been completed *vide* details given below:—

Plan period	Number of projects taken up		Remarks
	Major	Medium	
II Plan	4	..	3 have been completed; one (Periyar Valley) is yet to be completed.
III Plan	6	..	All are yet to be completed.
IV Plan	Nil	..	
V Plan	2	2	All are yet to be completed.
VI plan	2	1	All are yet to be completed.*

*In addition, 2 major and 2 medium projects are under investigation/preliminary stages.

Thus, at the end of 1984-85, there were 10 completed projects with a total investment of Rs. 27.56 crores (upto 1984-85) and providing irrigation for a gross area of 1.47 lakh hectares. The project-wise details of investment and area irrigated as at the end of March 1985 are given in Appendix 4.1.

Besides starting three new projects (Idamalayar, Kuriarkutty-Karappara and Banasurasagar), the Sixth Plan envisaged completion of seven of the ongoing projects namely, Periyar Valley, Pamba, Chitturpuzha, Kanhirapuzha, Kuttiadi, Pazhassi and Chimoni projects and partial commissioning of 4 other projects, namely, Kallada, Muvattupuzha, Attappady and Karapuzha. While the information regarding the progress of Kallada project was awaited, it was seen that the targets of completion/partial commissioning of the other ongoing projects were not realised. According to a report sent by the Chief Engineer (General) to the State Planning Board in December 1985 a gross area of 2.10 lakh hectares was being irrigated by seven ongoing projects yet to be fully commissioned. The project-wise allocation and expenditure on ongoing projects and achievement to the end of March 1985 are given in Appendix 4.2.

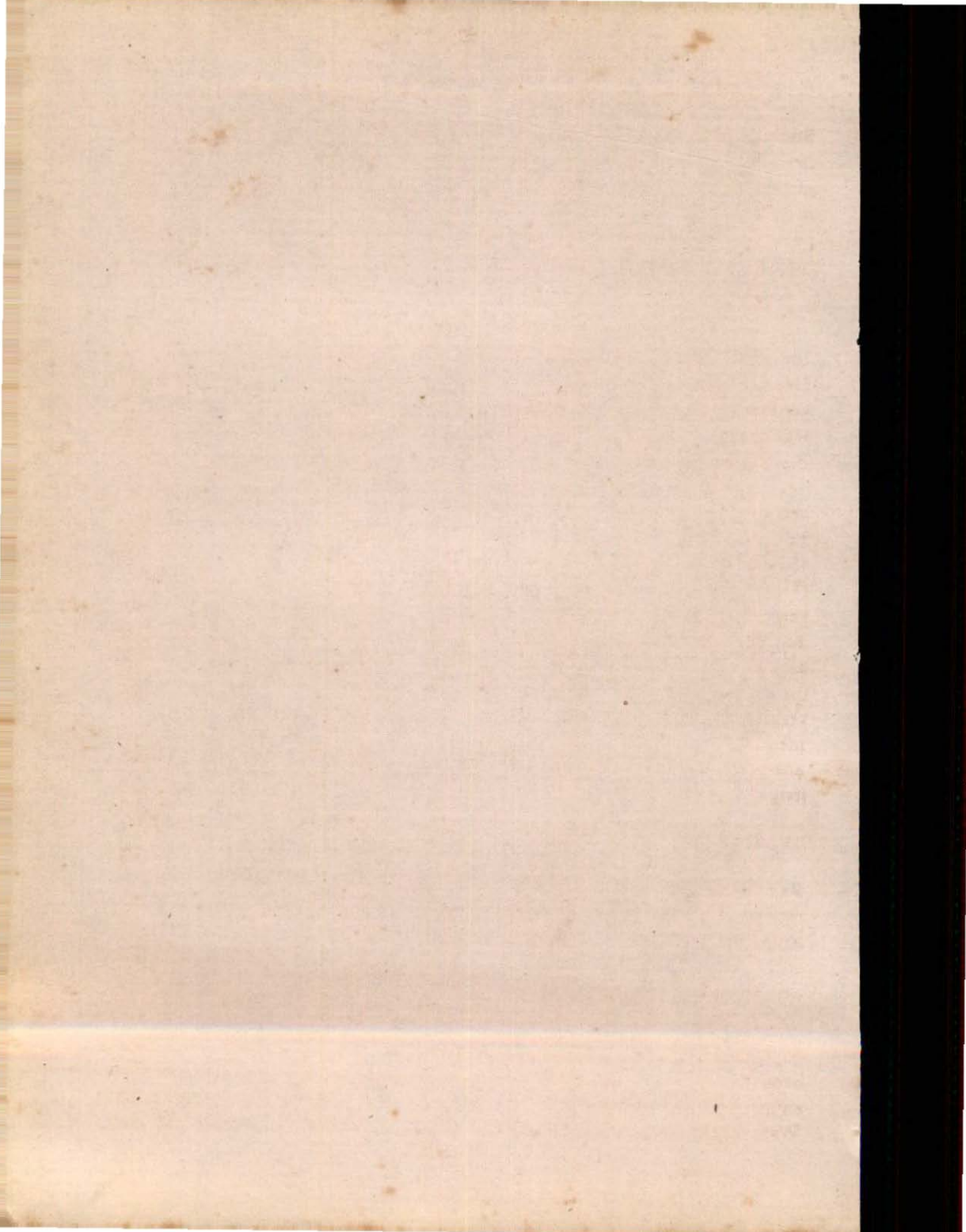
Under the seven major ongoing projects slated for completion during the Sixth Plan, the targets were to bring under irrigation an aggregate gross additional area of 35,307 hectares during 1982-83, 39,350 hectares during 1983-84 and 45,954 hectares during 1984-85. Against these, the achievements during the three years were only 6,383 hectares, 15,892 hectares and 7,709 hectares respectively. The reasons attributed for the shortfall were:—

(i) non-completion of works due to tender problems, shortage of funds/materials and (ii) non-finalisation of alignment of distributaries owing to objections from local people (Periyar Valley) and (iii) legal impediments in undertaking minor conveyance system (Kallada).

The Seventh Plan proposal is to bring 2.46 lakh hectares (gross) additionally under irrigation with an investment of Rs. 2,80 crores.

2. *Irrigation revenue:*

The revenue expected from irrigation is of 2 types, viz., water cess and betterment levy. Betterment levy at specified rates is charged on the difference between the increase in the capital value of each class of land and the cost of making such land fit for advantageous cultivation. In August 1966, Government decided to keep betterment levy in abeyance, pending enactment of a unified law. Such a legislation is yet to be enacted by the



State Legislature. As mentioned in paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Civil), the assessment of betterment levy could not be finalised in respect of any of the completed projects owing to procedural and legal difficulties in the determination of capital value of lands as also the value of produce therefrom. There was no further progress in this regard.

For the purpose of levy of water cess, as at the end of March 1984, out of the total area of 1.40 lakh hectares of ayacut area reported to the Revenue Department by the Public Works Department in respect of 18 projects, joint verification by the authorities of the two departments as required under rules was completed in respect of 1.30 lakh hectares. Joint verification in respect of 3 projects (Chitturpuzha, Kanhirapuzha and Pazhassi) has not yet been completed for 0.10 lakh hectares. Out of 1.06 lakh hectares found liable for assessment after such verification, 1.02 lakh hectares have been brought to assessment. Assessment has not been completed for the balance area of 0.04 lakh hectares which relate to 6 projects (Neyyar, Pamba, Periyar Valley, Peechi, Malampuzha and Kuttiadi) in respect of which, out of 0.42 lakh hectares liable for assessment, assessment has been completed only in respect of 0.38 lakh hectares. The delay was ascribed to non-completion of assessment records and procedures. Though 0.025 lakh hectares had reportedly benefited from Pazhassi Project, joint verification of 0.015 lakh hectares indicated that no area was liable to assessment for water cess. This would imply that water management was not adequate and that water from the project was not being effectively utilised for irrigation purposes.

As at the end of February 1985, water cess pending collection was Rs.86.10 lakhs, out of which Rs. 27.36 lakhs were under stay orders. Orders for remission or write off of irrigation revenue amounting to Rs. 52.66 lakhs were issued during 1980-81 to 1984-85 by Government and various authorities of the Revenue Department. The year-wise details of the outstanding demand were awaited from the Board of Revenue (May 1985).

Out of 17 fully/partially commissioned irrigation projects, eight have been declared as commercial. The aggregate revenue receipts from these eight projects (Peechi, Chalakudy, Periyar Valley, Cheerakuzhy, Malampuzha, Walayar, Mangalam and Meenkara) did not cover their total working expenses

in any of the years. The overall financial results of these eight projects from 1980-81 to 1983-84 are given below:—

	1980-81	1981-82	1982-83	1983-84	Total
	(in lakhs of rupees)				
1. Total Revenue	88.15	59.54	49.68	78.91	2,76.28
2. Working expenses and maintenance charges	91.48	91.87	78.00	1,14.00	3,75.35
3. Interest on capital invested	3,10.98	3,76.24	4,16.31	5,14.94	16,18.47
4. Excess of expenditure (including interest charges) over income	3,14.31	4,08.57	4,44.63	5,50.03	17,17.54

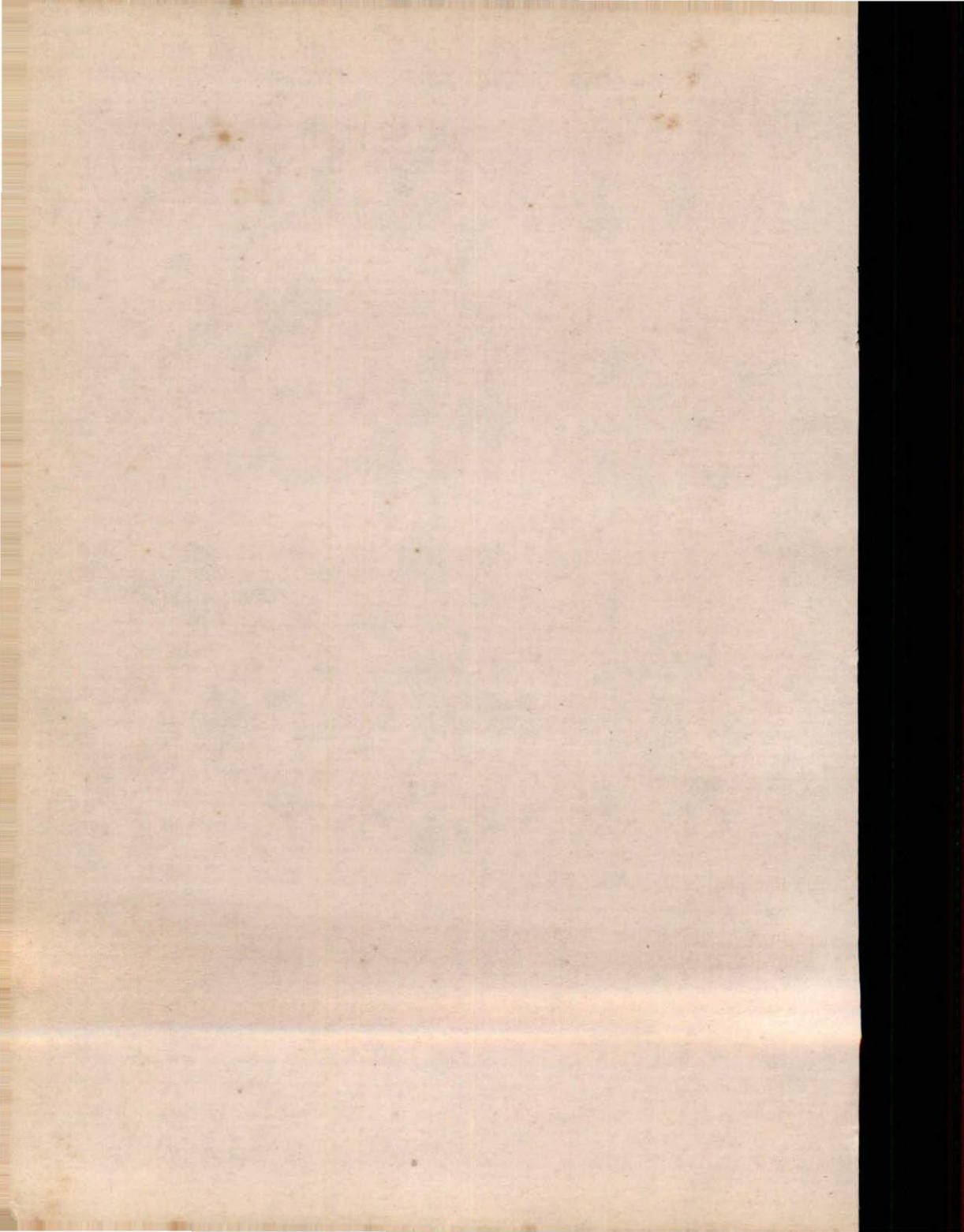
The total net loss during the four years amounted to Rs. 17,17.54 lakhs. The Irrigation Commission in its report of 1972 had expressed the view that irrigation works should give an annual income equal to the annual cost of operation so that no part of the burden for providing irrigation would fall on the general tax payer and had recommended that water rates should be reviewed and revised in the 4th year of every Five Year Plan. Government in 1978 set up an inter-departmental committee to review water rates on a continuing basis. Information whether the committee had completed its review and what its recommendations were, was awaited from Government (December 1985).

(3) Results of review of 2 major irrigation projects (Kallada and Periyar Valley) and 2 medium irrigation projects (Attappady Valley and Karapauzha) conducted by Audit during December 1984—March 1985 are given in the succeeding paragraphs:—

4.1.2. Kallada Irrigation Project

(1) Project profile

The Kallada Irrigation project taken up for execution in 1961, envisages construction of a masonry dam (335m. long and maximum height of 85.34 m. above the deepest foundation) across Kallada river at Parappar near



Thenmala (Quilon District) to form a reservoir with gross storage capacity of 504.9 M. cum., a diversion weir (120.69m. long and 5.59 m. high) at Ottakkal 4.6 km. downstream and a canal system on either bank consisting of a right bank canal (69 km. long and capacity 39.08 cumecs) and a left bank canal (56 km. long and capacity 22 cumecs) with branches and distributaries to serve an ayacut of 39,530 hectares and 22,100 hectares respectively. It also envisages installation of a penstock in the dam for generation of seasonal power. From 1978, a Chief Engineer has been appointed exclusively for the project, with headquarters at Kottarakkara. There are four Circles and 21 Divisions under the Chief Engineer.

(2) *Revision of estimate*

Mention was made in the Reports of the Comptroller and Auditor General of India for the years 1973-74 and 1979-80 about non-achievement of the target of partial commissioning by 1971-72 and full commissioning by 1975-76 due to low priority given to the project till 1973-74 and progressive increase in costs due to rise in cost of labour, materials and land, etc., leading to several revisions of the project estimate from Rs. 13.28 crores as originally sanctioned in 1966 to Rs. 1,24.54 crores in 1979. The project was proposed (April 1980) for assistance from World Bank, who fixed the project cost at Rs. 1,76.08 crores, after adding *inter alia*, provision for distributaries below 10 hectares including cost of laying PVC pipes in private garden lands (Rs. 13.85 crores) and corresponding establishment charges (Rs. 3.83 crores). However, the Central Water Commission gave (May 1981) technical clearance for an estimate amounting to Rs. 1,63.57 crores, after excluding the last two items but increasing the cost of works remaining to be done after September 1980 by 17 *per cent* in order to update the estimate from 1978 schedule to 1980 schedule. The revised estimate for Rs. 1,63.57 crores was approved by the Planning Commission in January 1981 and revised administrative sanction was accorded by Government in April 1982. As a result of progressive increase in the construction cost, the cost per hectare increased from Rs. 2,477 in 1966 to Rs. 26,540 in 1981. The increase of Rs. 1,50.29 crores in the project cost was mainly due to (i) rise in land value (Rs. 18.56 crores), (ii) increase in cost of labour and construction materials, additional works necessitated due to rapid development of command area, increase in quantity of rock blasting (Rs. 1.03 crores), (iii) increase due to inadequate provision in the original estimate (Rs. 10.74 crores), (iv) provision made as per Central Water Commission guidelines (Rs. 2.17 crores), (v) increase in establishment charges

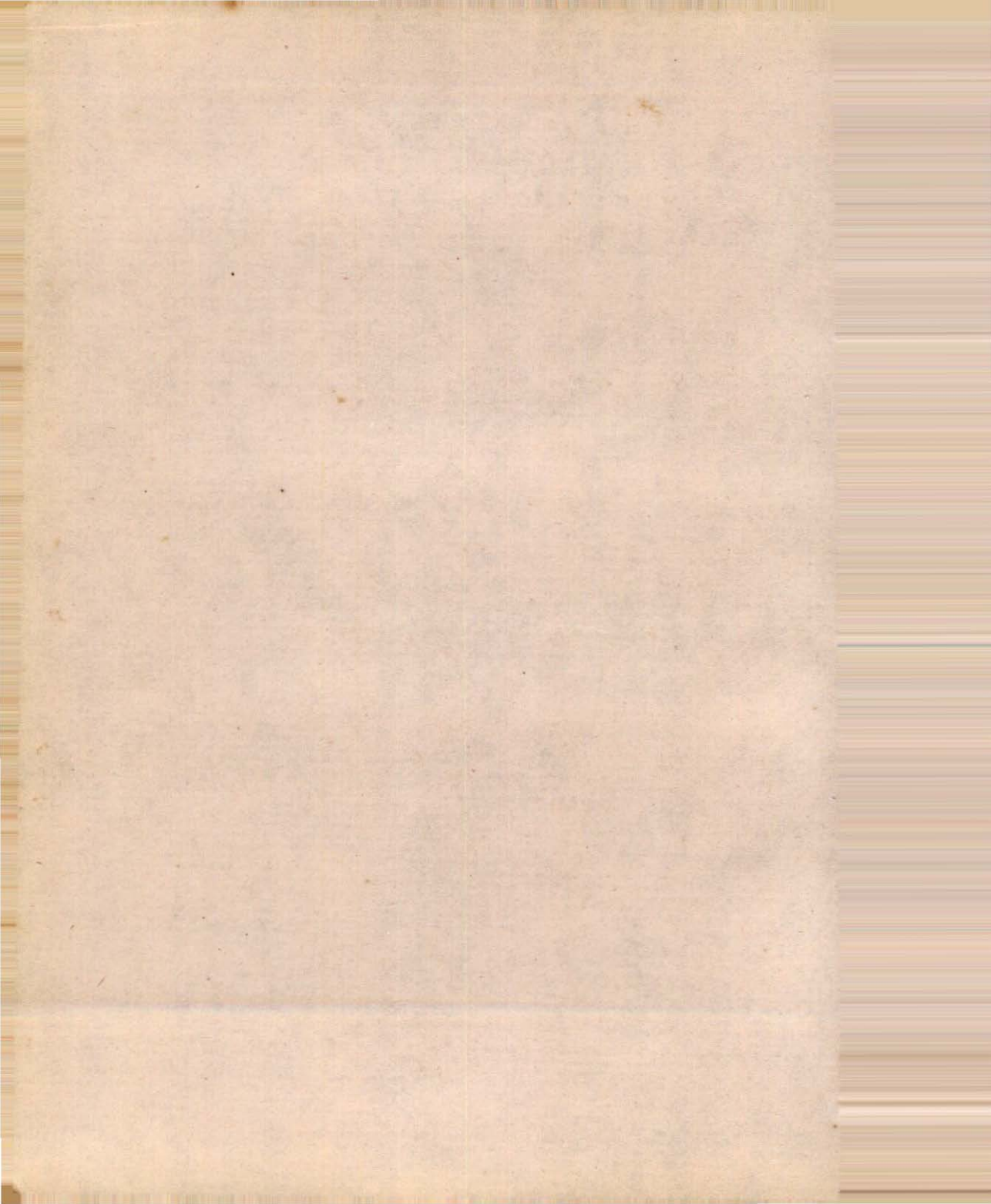
due to prolongation of construction period (Rs. 14.46 crores), etc. According to the draft Seventh Plan, the project is now estimated to cost Rs. 2,10 crores.

(3) *World Bank assistance and progress of project*

As per agreement entered into between the Government of India and the World Bank (July 1982), credit and loan assistance amounting to Rs. 51 crores (U.S. Dollars 60 million equivalent to SDR 52.3 million) and Rs. 17.26 crores (U.S. Dollars 20.3 million) respectively would be available from the World Bank for the first stage of the project to be implemented from 1981-82 to 1985-86 with a target of covering an ayacut of 37,600 hectares net (56,000 hectares gross) in the upper reaches of the command area; for the second stage to cover the remaining 24,000 hectares, a fresh project report is proposed to be prepared to enable World Bank to consider the question of further assistance. The investigation for the second stage was reportedly in progress (January 1985).

Investment on the project upto 31st March 1985 amounted to Rs. 1,32.33 crores (works expenditure: Rs. 1,18.43 crores: establishment expenditure: Rs. 13.90 crores). Against a budget provision of Rs. 1,18.20 crores made during 1980-81 to 1984-85, actual expenditure was only Rs. 96.47 crores. The shortfall was ascribed to labour unrest, legal impediments in commencing certain works, delay in receipt of approval to certain contracts from World Bank, unprecedented drought conditions during April 1983 and non-execution of minor conveyance work for want of necessary legislation.

The target fixed by the World Bank for credit utilisation upto June 1985 was U.S. Dollars 47.250 million against which the actual utilisation up to March 1985 was only U.S. Dollars 29.129 million (62 per cent). Government of India is liable to pay commitment charges at half *per cent* per annum on the principal amount of credit not withdrawn from time to time. The credit utilisation during 1984-85 was only Rs. 8.92 crores against the target of Rs. 12 crores. The short-utilisation of Rs. 3.08 crores (nearly 26 *per cent*) was due to reduction in the percentage of assistance from 70 *per cent* to 50 *per cent* on civil works from July 1984 and non-implementation of minor conveyances. Action was initiated (May 1984) for negotiation with the World Bank for retaining the original quantum of assistance (70 *per cent*) for civil works even after June 1984 and the outcome was awaited (April 1985).



The agreements entered into with the World Bank envisaged completion of the project by March 1986. The physical progress of various component parts of the project is given in the following table:—

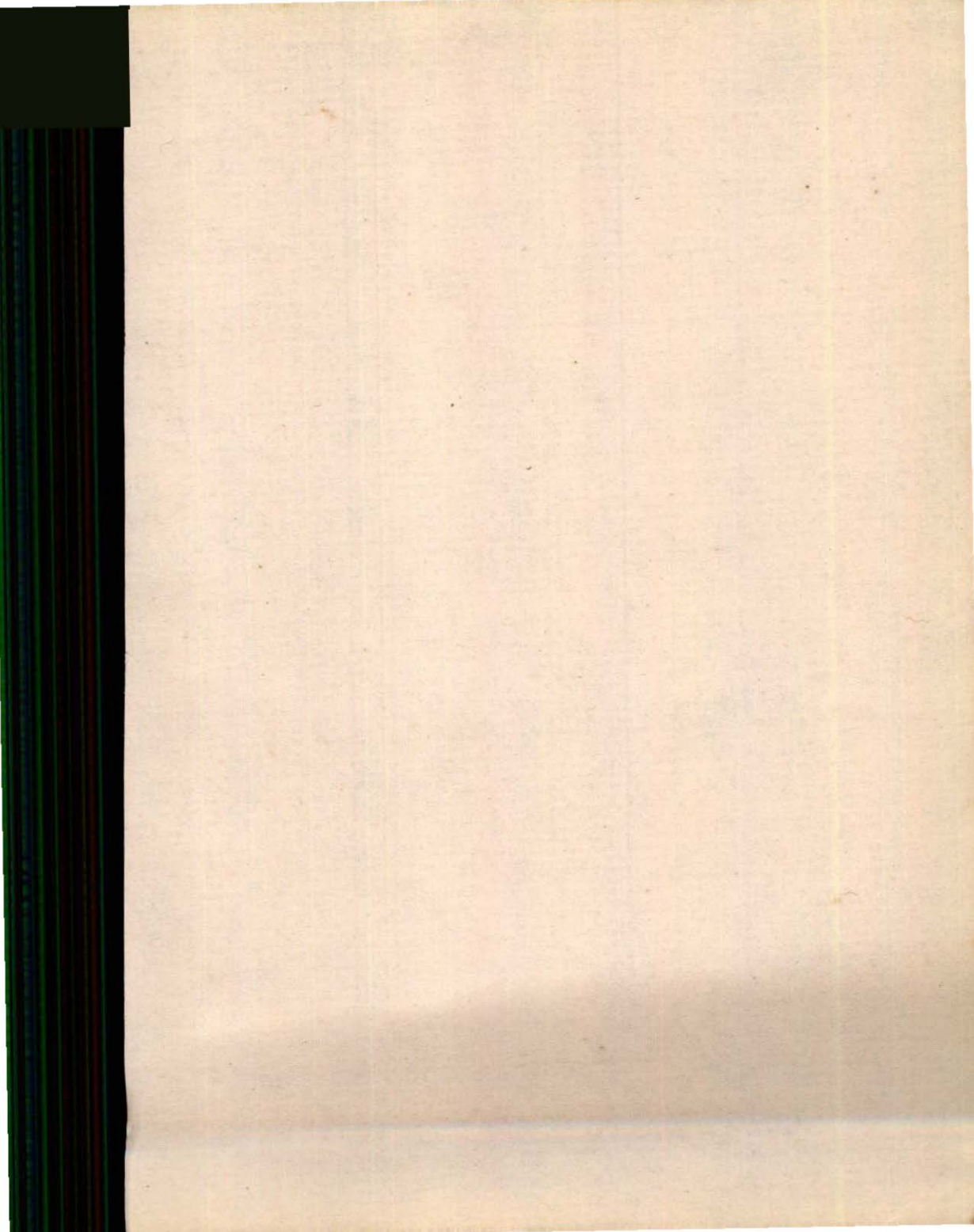
<i>Item</i>	<i>Target</i>	<i>Achievement (January 1985)</i>	<i>Major items of work remaining to be completed (March 1985)</i>
Head works	100 per cent completion	90 per cent completed	The work of raising dam from 387 ft. to 390 ft., fabrication of stop log and intake gate (60 per cent), fabrication and erection of liners for intake conduits and irrigation conduits (30 per cent) fabrication, supply and erection of disperser valves (40 per cent), construction of valve house on hoist bridge for radial gates, plugging of construction sluice, etc., remain to be done.
Right bank main canal	68.000 km.	59.355 km.	Constructing pressure aqueducts at Kalanjoor (50 per cent) and Vazhappara (40 per cent) (delay is due to revision of design of barrel of aqueducts), constructing bridge cum-regulator at chainage 55,000 m. (58 per cent), constructing aqueduct between chainage 59,800 m. and 60,275 m (45 per cent), formation of main canal from ch. 60,585 m. to 60,615 m. and 60,775 m to 60,850 m. including aqueduct between chainage 60,615 m. to 60,775 m. (35 per cent), Kurathikad distributary (estimated cost: Rs. 54.20 lakhs), Chavara distributary from chainage 7,440 m. to 9,440 m; 10,475 m. to 14,767 m. and from chainage 9,440 m. to 10,475 m. remain to be executed.
Branches—:			
Sastham-cotta	25.510 km.	23.994 km.	
Pandalam	15.480 km.	14.030 km.	
Distributaries			
32 (Nos.)	312.530 km.	131.000 km.	

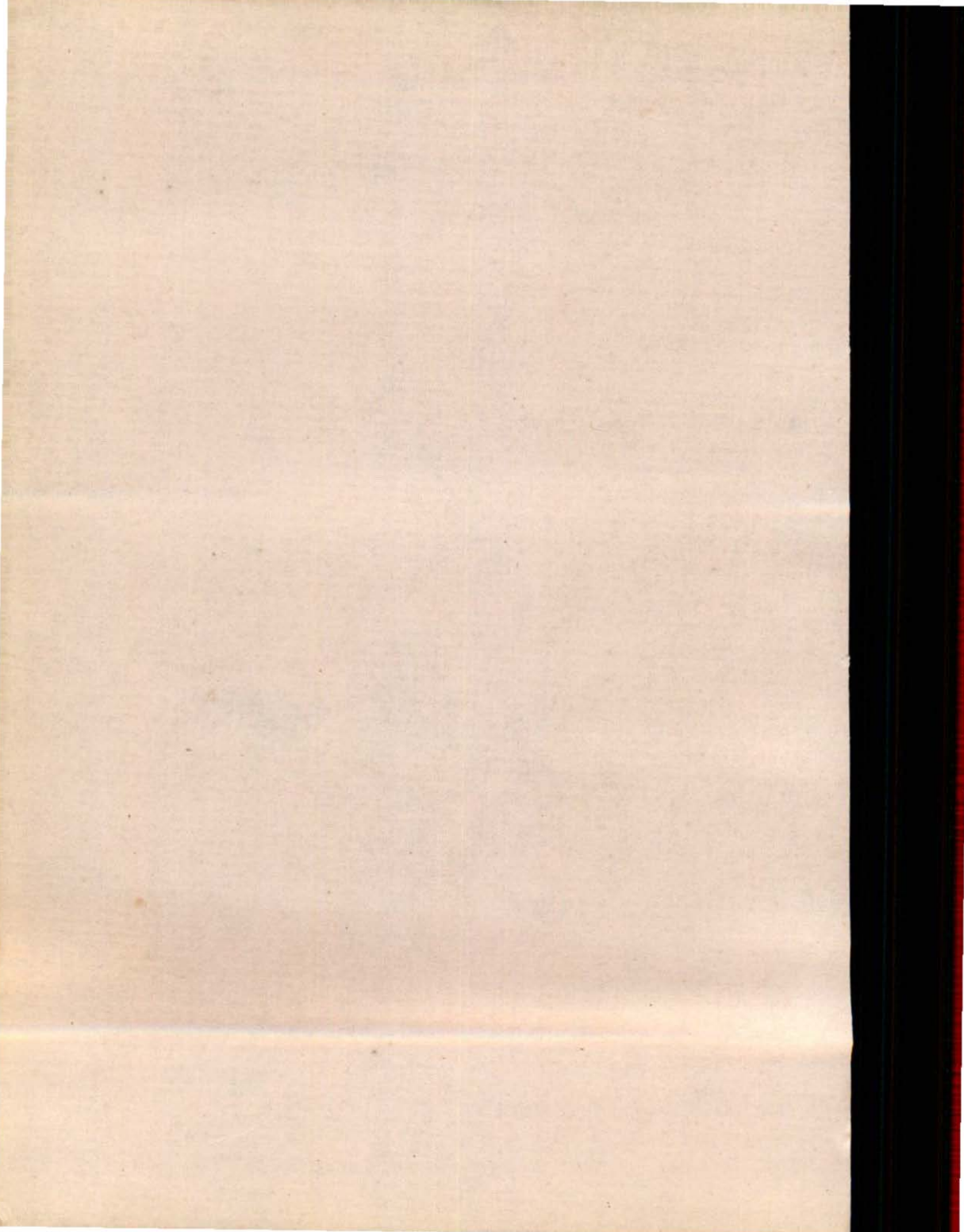
<i>Item</i>	<i>Target</i>	<i>Achievement</i> (<i>January 1985</i>)	<i>Major items of work remaining to be</i> <i>completed (March 1985)</i>
Left bank main canal	49.180 km.	32.127 km.	Four out of five tunnels, tunnelling from exit face of tunnel No. III which is at standstill from November 1983 due to presence of fault zone, tunnel V (except stripping of inlet face), 23 out of 26 aqueducts, and distributaries (24.8 km.—estimate pending sanction and 31.535 km.—Work not arranged) remain to be completed.
Branches:			
Oyoor	17.000 km.	5.600 km.	
Kulakkada	13.220 km.	(investigation and estimate in progress)	
Distributaries			
21 Nos.	193.930 km.	4.590 km. (work in progress for a length of 74 km).	

(4) *Changes in conditions of contract*

From 1981, the contracts for the works of the project are governed by the general conditions of contract contained in the International Competitive Bidding (ICB) procedures and Local Competitive Bidding (LCB) procedures approved by the World Bank. These procedures vary from those usually followed in other PWD contracts.

(i) The conditions of contract under the ICB/LCB procedure stipulated that the agreed rate would apply in all cases where the quantity executed under any item did not vary by more than 30 per cent and that where the variation exceeded this limit, the rate for such item was to be revised by mutual agreement. This provision was modified in September 1984 to the effect that where the actual quantity under any item exceeded the tendered quantity by more than 30 per cent, the rate for the excess over 30 per cent was to be revised, but the revised rate was not to exceed the original rate; and where the quantity under any item was less than 70 per cent of the tendered quantity, its rate was to be revised by mutual agreement, ensuring that its total cost did not exceed the cost of 70 per cent of the tendered quantity at the original rate. In other words, for quantity increases, no enhancement in the item rate, but possible reduction in the rate due to economy of scale, was contemplated. However, on a test check, it was seen that in the case of 37 works executed during April 1981 to March 1984, the item rates were enhanced and the enhanced rates were allowed for





quantities in excess of 130 per cent of tendered quantities in 13 cases and for the entire quantities executed in the remaining 24 cases. This resulted in an extra expenditure of Rs. 13.74 lakhs, which could have been avoided if the tender conditions had been properly laid down in the first instance. Also, in the case of 54 works where the actual quantity was less than 70 per cent of the agreed quantity, the rates were enhanced in such a way that the contractor got the maximum benefit equivalent to the cost of 70 per cent of agreed quantity at the original quoted rate, though the quantity actually executed was generally much less than 70 per cent. This resulted in grant of exorbitant rates for such items and the total extra expenditure on this account, amounted to Rs. 10.83 lakhs. Thus the procedure followed by the department did not adequately safeguard the interests of Government and resulted in the grant of unintended benefit to the contractors. The wide variations between the executed and agreed quantities also pointed to inadequate investigation and defective preparation of estimates.

(ii) Notwithstanding a general policy decision taken by Government in May 1978, not to include arbitration clause in contracts for amounts exceeding Rs. 2 lakhs, arbitration clause was included in the conditions of contract under ICB/LCB procedures. This gave rise to a number of arbitration claims which, besides causing delays, ended in awards favourable to contractors involving huge extra expenditure for Government. On a test-check of 18 work contracts settled under ICB/LCB procedures and referred (between October 1982 and February 1985) for arbitration it was found that in 2 cases the arbitrator had granted Rs. 6.70 lakhs to the contractors towards their disputed claims and that the remaining cases were pending disposal (May 1985).

ICB/LCB procedures provide for price adjustment for increase or decrease in the rates of labour and materials, petrol, oil and lubricants, etc., in respect of contracts with completion period exceeding 12 months. In 23 cases test-checked, the total expenditure on account of such price adjustment was Rs. 43.70 lakhs. No price adjustment was allowed in respect of contracts with completion periods not exceeding 12 months, implying that the contractors were to execute the work at their quoted rates during the first 12 months and thus, for contracts extending over 12 months, there was no justification for allowing price adjustments for the initial period of 12 months. It was also noticed in audit that price adjustment was allowed for excess quantities/extra items covered by negotiated rates despite stipulation in the relevant supplemental agreements precluding claims

towards compensation/enhanced rates for increase in the cost of labour and materials or on any other account. Test-check showed that the irregular expenditure on this account in the case of 5 works executed between October 1981 and May 1985 amounted to Rs. 1.54 lakhs.

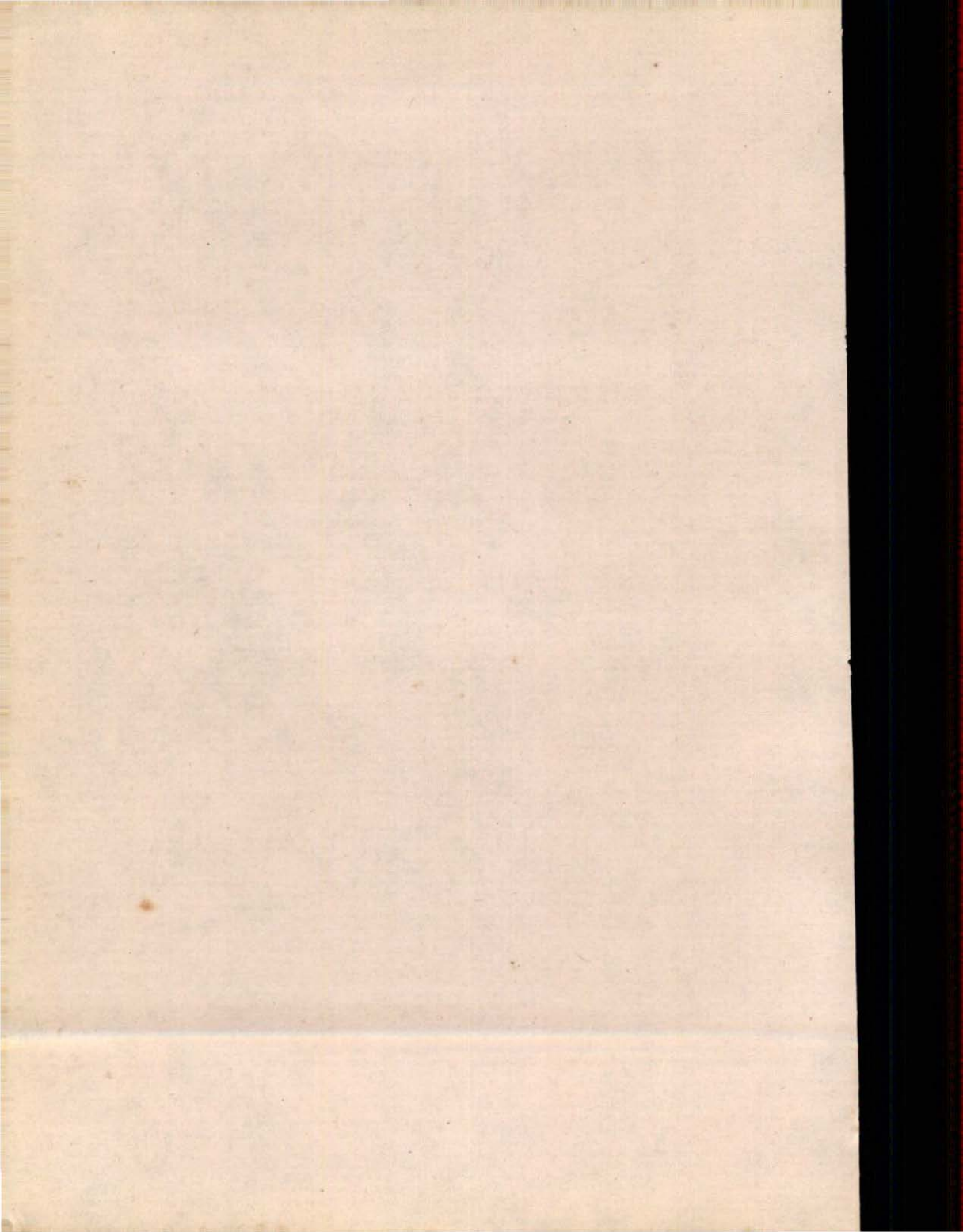
(5) *Extra expenditure and delay/defects in execution of works*

Several instances of extra expenditure due to incorrect estimation of quantities of work resulting from inadequate investigation, non-enforcement of provisions in the contract, change of design/specification after conclusion of contracts, delay in finalisation of design, delay in finalisation of tenders, etc., were mentioned in the Reports of the Comptroller and Auditor General of India for the years 1969-70, 1973-74, 1976-77, 1977-78, 1978-79, 1979-80 and 1982-83. More such instances noticed during test-check are briefly outlined below:—

(i) Variations between estimated and executed quantities leading to payment at rates higher than those originally specified in the contracts resulted in an extra expenditure of Rs. 9.10 lakhs in 14 cases *vide* details in Appendix 4.3. The variations in quantities in these cases ranged between 12 *per cent* and 138 *per cent* and were apparently due to preparation of incorrect and unrealistic estimates based on inadequate investigation.

(ii) In the work 'construction of a cut and cover between chainage 37,125 m. and 37,515 m.' of right bank canal, the first contract was terminated in September 1979. The next contractor to whom the work was awarded in March 1980 took charge of the site nearly 6 months thereafter. He too abandoned the work after executing about 10 *per cent* of it and did not resume the work in spite of several notices issued by the department. In March 1982, the contract was terminated at his risk and cost. The estimate was revised based on 1980 schedule of rates and the balance work was entrusted to another agency (October 1982) for Rs. 60.99 lakhs at a premium of 33 *per cent* over revised estimate. The liability of Rs. 29.64 lakhs fixed against the defaulter contractor could not be recovered so far, pending disposal of a suit filed by him (November 1985).

To provide for excess quantities and extra items due to changes in specifications found necessary during execution, a revised estimate for Rs. 79.23 lakhs was prepared and submitted to the Chief Engineer (CE), Projects III in June 1984. Sanction of CE to the revised estimate was awaited. The work, which was to be completed by December 1981, was



not completed even by March 1985. Up to March 1985, the expenditure on the work amounted to Rs. 74.78 lakhs. Against a quantity of 7,688 cubic metres of ordinary blasting originally estimated, payment has been made for a quantity of 23,595 cubic metres, including 14,143 cubic metres of wet blasting. The wide variation in quantities as well as the changes in specification during execution would indicate that the initial investigation was inadequate and the estimate defective.

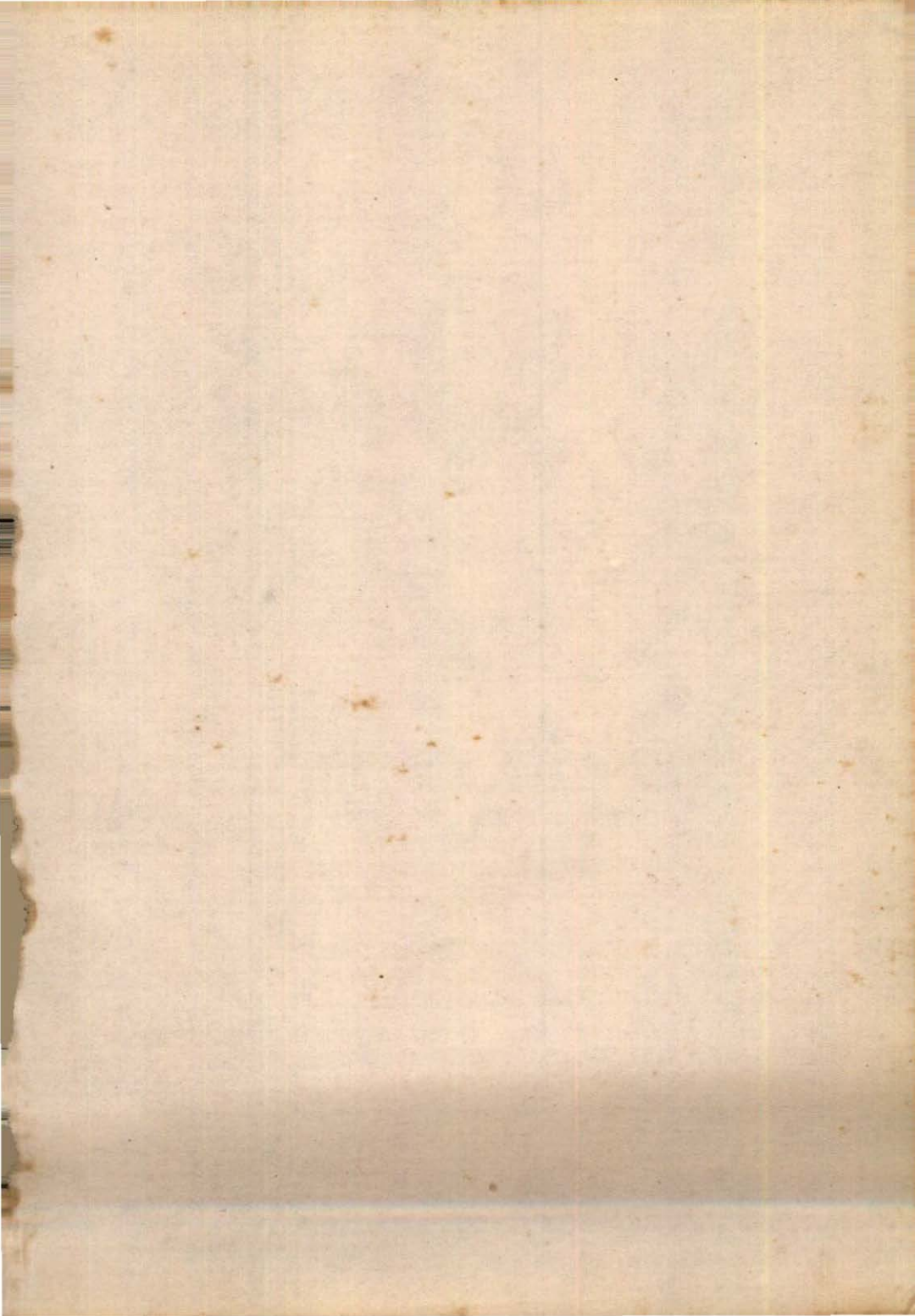
(iii) (a) The work 'KIP Dam at Parappar-raising blocks 5 to 10 and part of block 11 up to level +285 feet' was entrusted to a contractor (1977-78) for Rs. 2,67.16 lakhs. The original proposal was to provide irrigation outlets through river sluices in the dam. To facilitate power generation, it was decided (June 1978) to provide irrigation and power outlets (with disperser arrangements to be embedded in the 8th block) branching from penstock pipes. The design for the penstock was finalised only in November 1978. Because of the delay in finalising design and supply of penstock pipes, the work on the dam was not completed by the stipulated date (April 1980). The contractor stopped the work (August 1980), demanding 40 per cent increase over agreed rates for works done after the stipulated date of completion. Government conceded the demand and also decided (January 1981) to allow 15 per cent increase over 1980 schedule of rates (less cost of departmental materials) for works to be executed thereafter. The work was resumed in February 1981 and all masonry works except block 8 beyond level 245 feet and erection of penstock pipes were completed by November 1981. As the contractor was unwilling to continue the work, the department decided (December 1981) to rearrange the balance work (estimated cost: Rs. 49 lakhs) on separate tender and terminated the contract. The extra expenditure on account of 40 per cent increase over agreed rates and 15 per cent increase over 1980 schedule amounted to Rs. 4.44 lakhs.

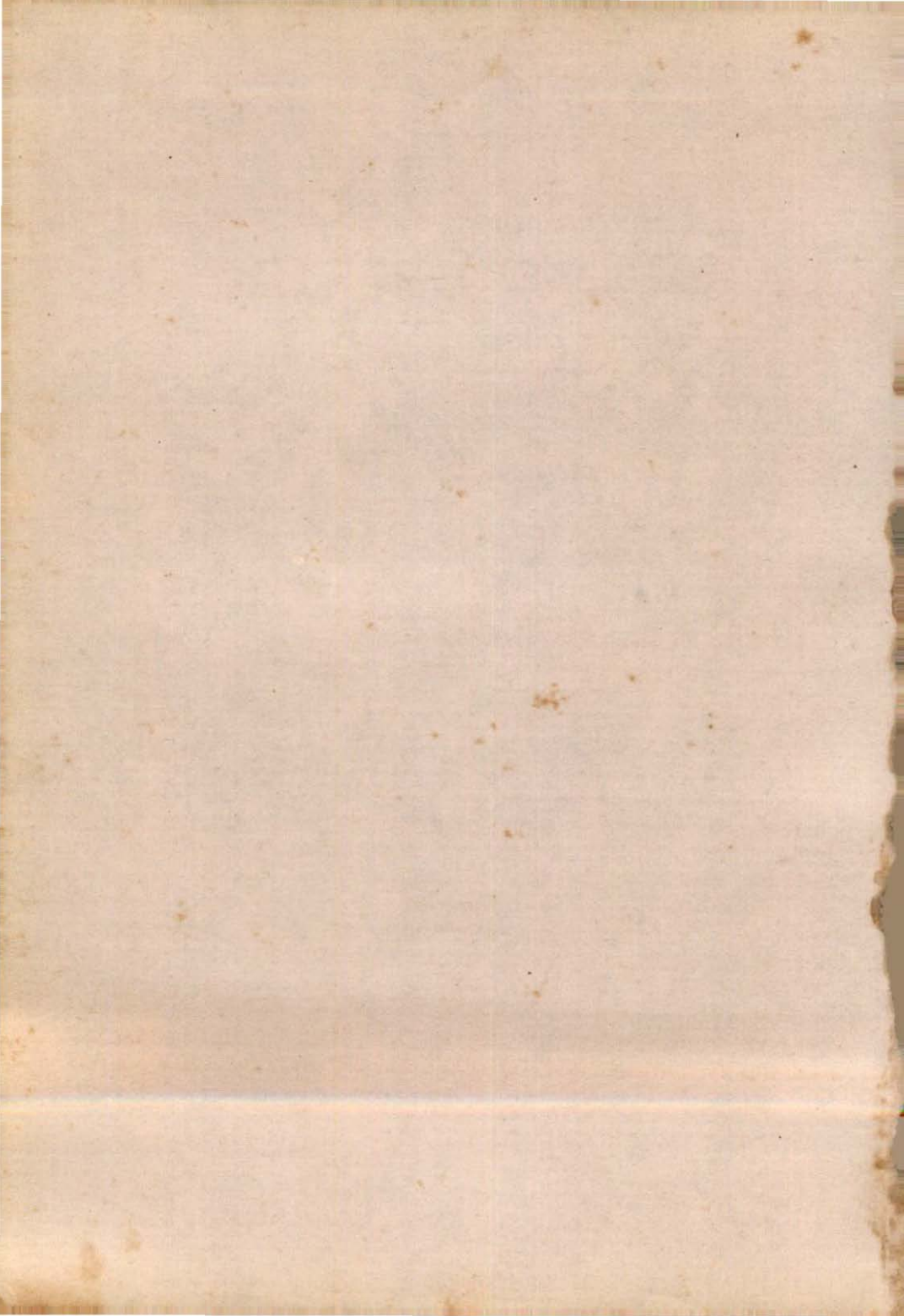
On an arbitration petition filed by the contractor in August 1982, the Arbitrator passed an award (May 1983) which was decreed by the Court in August 1983. As per the award, Rs. 9.79 lakhs were paid to the contractor (December 1983) which included Rs. 6 lakhs as compensation for contractors' men and materials having to remain idle and Rs. 1.66 lakhs towards maintenance of skeleton staff owing to delay in installation of penstocks, Rs. 1.19 lakhs towards increase in cost of labour and materials, Rs. 0.80 lakh as compensation for materials lost during floods (June 1981) and Rs. 0.14 lakh towards interest. The award was accepted by Government in November 1983.

An amount of Rs. 1.96 lakhs was also spent by the department for drilling 3 inch diameter holes in concrete and masonry for grouting to reduce permeability to permissible limits. In terms of the contract the extra expenditure was to be borne by the contractor as he was responsible to ensure that porosity did not exceed safe limits.

(b) The balance work of raising the 8th block from level 245 feet to 285 feet and concreting the right side training wall and irrigation support, was entrusted to another contractor 'X' (April 1982) for Rs. 76.12 lakhs stipulating the time of completion as September 1982. While the work was in progress, Government ordered (August 1982) entrustment of a further work of raising blocks 8 and 9 from level 285 feet to 300 feet to the same contractor 'X' at his agreed rates. Necessary supplemental agreement was executed in June 1983. However, in August 1983, contractor 'X' was asked to suspend further work, since it stood included in the work of raising blocks 4 to 11 up to level +387 feet which had in the meantime been entrusted to another agency (February 1983). As the accepted rates of the latter agency were higher, non-awarding of the further work in blocks 8 and 9 to contractor 'X' resulted in an avoidable extra expenditure of Rs. 3.14 lakhs. Information as to the circumstances in which the work was entrusted to another agency in disregard of the order issued by Government in August 1982 is awaited from the department (November 1985).

(c) The work of raising blocks 2, 3, 9, 10, 11 and 12 up to level +387 feet, blocks 4 and 8 up to level +375 feet and blocks 5, 6 and 7 up to level +320 feet/335 feet was awarded to a contractor (December 1979) for Rs. 2,07.51 lakhs. As the work of raising blocks 8 and 9 was not completed by the agency mentioned in sub paragraph (b) above, no work could be done in block 10 (beyond level +313 feet) and block 11 (beyond the level of +341 feet) till the stipulated period of completion, i.e., February 1981. Owing to obstacles and difficulties in proceeding with the work, the department exempted the contractor from carrying out the work in blocks 8, 9, 10, 11. In January 1982 when works on other items (blocks 2 and 3 beyond level +381 feet and R. C. guide walls up to +320 feet) were still to be completed, the contractor stopped the work. The contract was terminated in August 1982 treating the remaining work as authorised omission. The balance work in blocks 2 and 3 was subsequently got executed through another contractor without inviting tenders/quotations. Similarly, work in blocks 8, 9, 10 and 11 was also arranged through other agencies. Compared to rates of the original contractor execution of works through other agencies entailed extra expenditure of Rs. 26.13 lakhs.





(iv) The work of "raising blocks 4 to 11 up to level +387 feet forming spillway crest, spillway pier and R. C. guide walls" was entrusted to a contractor (February 1983) for Rs. 188.13 lakhs. The stipulated period of completion was 18 months from the date of written order to commence work. The site was handed over on 2nd May (blocks 4 to 7 and 11) and 18th May 1983 (blocks 8 to 10) but the masonry work was started only in August 1983. The work was not yet completed (November 1985). Up to February 1985, Rs. 1,89.05 lakhs, including Rs. 14.61 lakhs on account of price adjustment had been paid to the contractor.

The Chief Technical Examiner who inspected the dam during September 1983 reported that (i) the random rubble masonry was not being done with due care and attention, (ii) voids between stones were not being properly filled with mortar, (iii) the stones were not being placed in the natural position of neutral equilibrium, (iv) the required quantities of spalls to fill up the voids between stones were not being used, (v) stones were not being moistened before applying mortar and (vi) sand for mortar was not being sieved. After inspection of the dam again during January 1984, the Chief Technical Examiner reported that loaded lorries were seen plying on top of some newly completed blocks to facilitate work in other blocks, despite the fact that the agreement executed with the contractor provided for 17 extra lifts and 150-metre head loads and also for providing gangway. In spite of the above report of the Chief Technical Examiner, no recoveries were made from the contractors' bills either for defective work or for reduction in the number of lifts/leads due to use of lorries.

Against random rubble in cement mortar 1:3 for upstream face and 1:5 for core, provided in the agreement, cement concrete M 200 was carried out for the inner core of block 5 in spillway portion (elevation 105.115 m to 117.955m) with the approval of the Superintending Engineer (November 1984). Want of sufficient moving space for workmen for doing masonry work was the reason attributed for the change. After inspection of the site in January 1985, the Chief Engineer ordered discontinuance of concreting and adoption of rubble masonry in the non-overflow portion as provided in the agreement. The extra expenditure due to substitution of cement concrete for rubble masonry amounted to Rs. 3.24 lakhs.

All the mild steel materials, cement, etc., required for the work were supplied departmentally. Rubble and metal were collected from departmental quarries, for which only seigniorage rate was payable. Nevertheless, price escalation was allowed for these items also; the amount so paid was

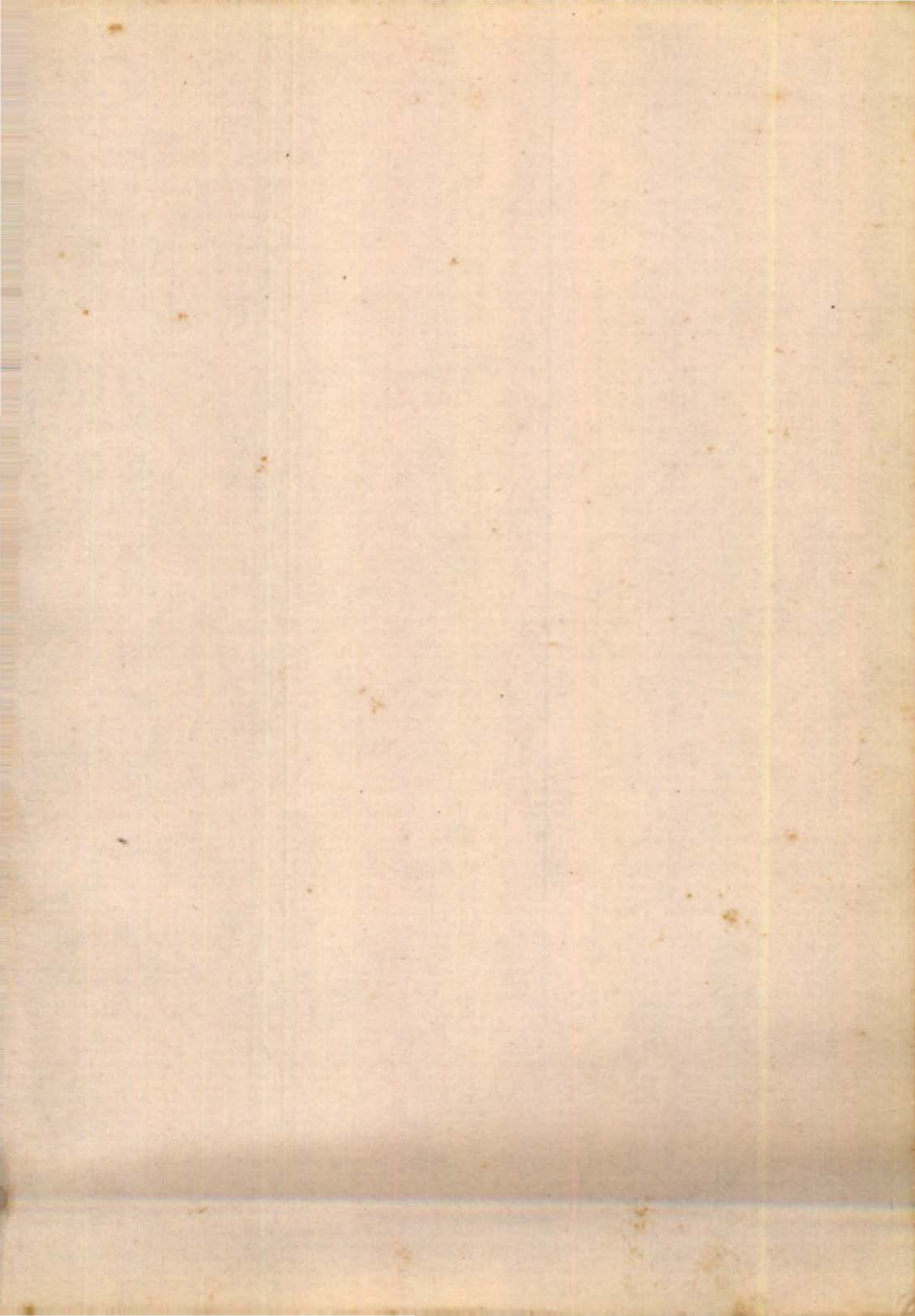
Rs. 4.13 lakhs (August 1983 to December 1984). As rates of recovery for items supplied departmentally had not been changed, the payment towards price adjustment was irregular/excessive. The remarks of the department about the irregular payment were awaited (April 1985). Further, though price adjustment was also not admissible for cement concrete M. 200, for which a mutually agreed rate was settled through a supplemental agreement (December 1984), price adjustment was allowed for that item also, involving an extra/irregular expenditure of Rs. 0.73 lakh.

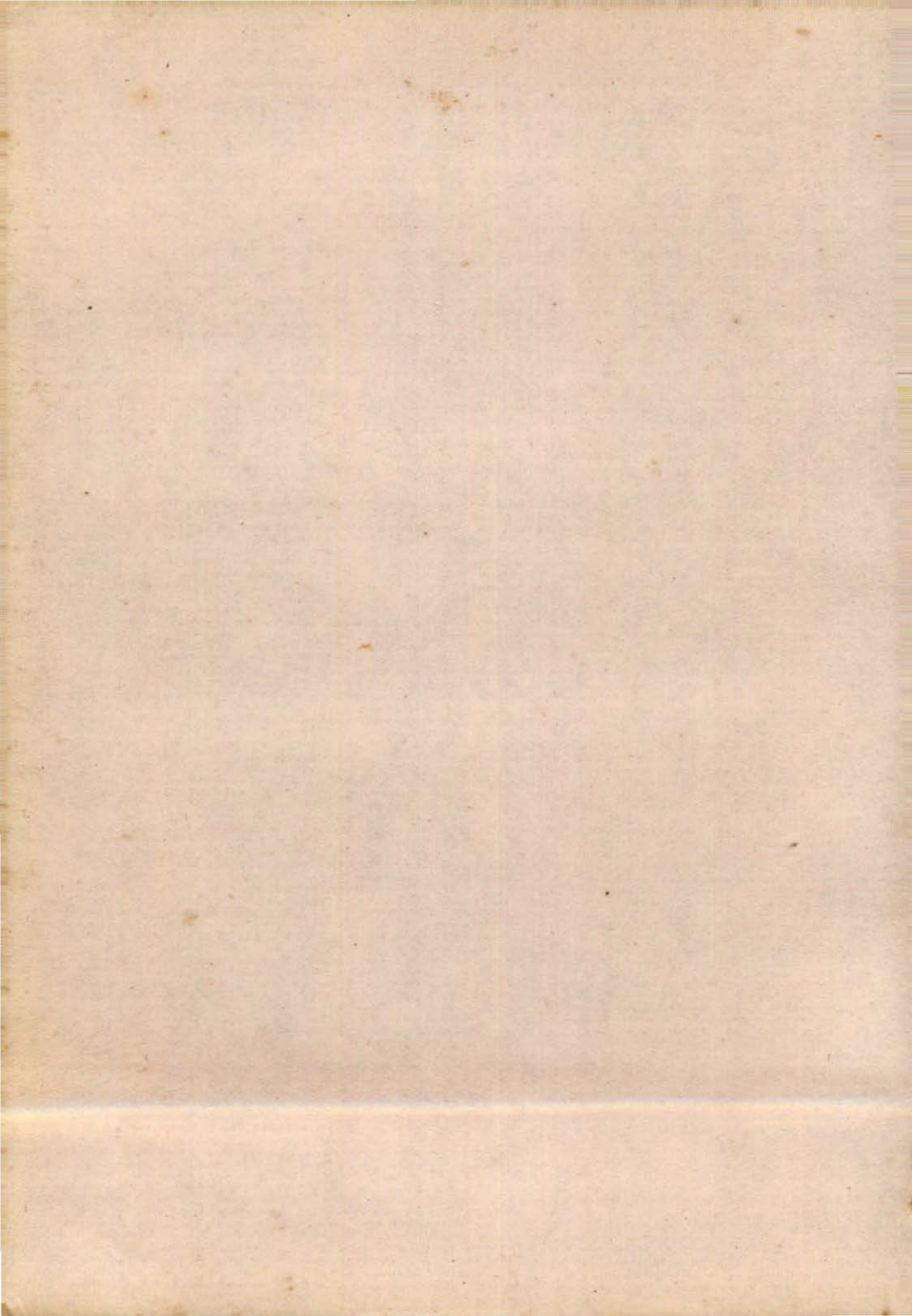
(v) The contract for design, manufacture and supply of 2 disperser valves of irrigation outlets was awarded to an Orissa firm for Rs. 16.62 lakhs in June 1980. As the firm did not complete the supply by the stipulated date (June 1981), extension of time was granted upto March 1982 and a supplemental agreement executed in October 1981. The disperser valves were supplied in November 1982.

The agreement with the firm provided for payment of price increase at Rs. 0.15 per rupee increase in the wage structure of labour. The supplemental agreement executed with the firm in October 1981 clearly stipulated that no increased rate either due to increase in the rate of labour or materials or on any other ground would be admissible on account of the extension of time. However, out of Rs. 1.66 lakhs paid to the firm towards price adjustment for the period from July 1981 to June 1982, Rs. 0.83 lakh pertained to the extended period.

(vi) The work of drilling 'A' and 'D' holes and grouting 'A' holes in (1) blocks 3,4,5,9,10 and part of block 11 and (2) blocks 6,7 and 8 was entrusted to a contractor (July 1979). The stipulated date of completion was May 1980 and it was subsequently extended up to April 1981. But only about 66 per cent of the work was completed even by the extended date. In June 1981, flood waters entered the gallery of the dam. As further drilling was possible only after dewatering and removal of silt from the gallery, the contractor stopped the work and made a request (July 1981) for relief from the contract or grant of enhanced rates. No decision was taken till June 1982 when the contract was terminated. The work was arranged through another contractor in April 1983 at higher rates entailing an extra expenditure of Rs. 7.18 lakhs.

(vii) Mention was made in the Report of the Comptroller and Auditor General of India for the year 1979-80 about non-completion of the pressure aqueducts in the right bank main canal at Kalanjoor between ch. 33950 m to 34316.5 m and at Vazhappara between ch.31561 m to





31800 m entrusted to an Ernakulam firm (May 1977) for Rs. 51.87 lakhs and Rs. 25.09 lakhs respectively. For fabrication of pipes, the department supplied (October 1978) to the firm 1230 tonnes of steel (cost: Rs. 31 lakhs) up to February 1979, when the work was discontinued. No fabricated pipes were, however, delivered by the firm. All the efforts made by the department to get the work resumed by the firm proved fruitless and the firm subsequently went into liquidation. The departmental materials issued to the firm were stated to be under the custody of the official liquidator, and the department had not been able to get back the materials (March 1985). In January 1983, the department cancelled the contract and decided to rearrange the work at the risk and cost of the firm, besides forfeiting its security deposit. Fresh contracts for construction of RCC aqueducts (instead of steel aqueduct envisaged in the original agreement) were awarded to two different agencies (January 1983) for Rs. 1,32.98 lakhs and Rs. 98.41 lakhs respectively based on the revised working estimates (Rs. 130.92 lakhs and Rs. 93.06 lakhs respectively), but without obtaining formal sanction of the Chief Engineer for the revised estimate. During execution, further boring/investigation became necessary for locating proper foundation for anchor blocks owing to non-availability of rocky strata at the originally anticipated level and the presence of a weak zone at the foundation level of the 9th pier of Kalanjoor aqueduct. Well foundation originally envisaged was changed to open foundation for 4 out of 8 piers of Vazhappara aqueduct. Further, on the basis of model study undertaken at a cost of Rs. 0.85 lakh, the design of the horizontal barrels of both the aqueducts was also modified. Major changes in design several times after the award of contract would indicate that the original design and estimates were not prepared after proper study/investigation. As a result of these changes, the works had not been completed yet (July 1985). Expenditure on the 2 works up to September 1985 amounted to Rs. 1,28.27 lakhs and Rs. 1,03.28 lakhs respectively.

(viii) In the case of several other works also, the department had to incur extra expenditure on various counts like non-finalisation of tenders in time, variations in quantities, contractual problems leading to termination of contract and rearrangement of work at higher cost, change in design after award of contract, etc. Six such instances are briefly mentioned in the following table:—

*Name of work (estimated cost), month
and amount of contract*

Factors leading to extra expenditure

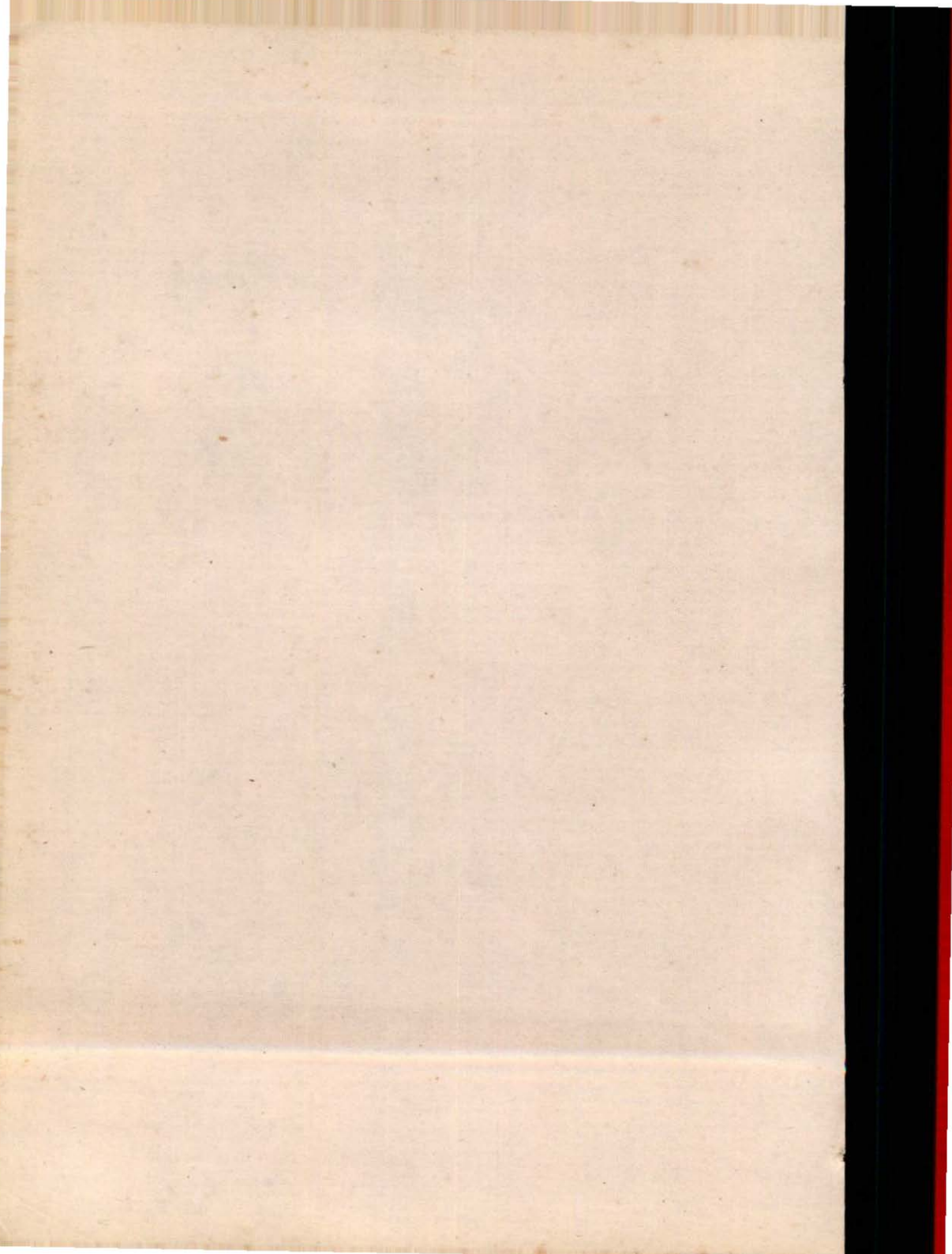
1. Stripping the inlet face of tunnel No.2ch. 5,297 m to 5,357 m—Left bank main canal (Rs. 9.23 lakhs)
November 1980
Rs. 12.61 lakhs.

Against 16, 050 cubic metres of blasting provided in the contract the actual quantity done was 21,962 cubic metres. For the quantity in excess of 125 *per cent* of the agreed quantity, higher rates were paid. The resultant extra expenditure was Rs. 0.32 lakh.

2. Formation of Sasthamkotta branch canal from ch. 9,750 m to 9,900m, 10,680 m to 11,060m 11,715 m to 11,985 m and 12,195 m to 12,600 m (Rs. 77.93 lakhs)
February 1979;
25 *per cent* below estimate

Though the investigation had indicated the need for blasting in wet condition, the agreement provided only for ordinary blasting. The contractor filed a suit claiming higher rate for wet blasting and this was allowed (September 1984) by the Court. The extra commitment arising from the judgement worked out to Rs. 4.60 lakhs of which Rs. 1.73 lakhs could have been avoided had wet blasting been included in the tender.

For removal of metamorphic rock, the contractor demanded (November 1979) payment at the rate applicable for rock blasting. Owing to delay on the part of the department in taking a decision till July 1981, he did not execute the work. The unfinished work was treated as an authorised omission (September 1982). Subsequently, on the basis of tenders, the balance work was entrusted (November 1982) to the same agency for Rs. 34.82 lakhs involving an extra cost of Rs. 22 lakhs. Thickness of lining was increased from 19 cm to



*Name of work (estimated cost), month
and amount of contract*

Factors leading to extra expenditure

3. Formation of right bank canal from ch. 45,890 m. to 47,000m. February 1976
Rs. 9.87 lakhs

30 cm involving an additional expenditure of Rs. 0.70 lakhs. Though excavation in hard work was expected to yield 4,200 cubic metres of usable rubble, quantity actually accounted for was nil. The work was got done using contractor's own rubble on the ground that no usable departmental rubble could be obtained. This entailed an extra expenditure of Rs. 0.54 lakh

The work was abandoned by the contractor in 1977. Based on an award passed by the arbitrator, his account was closed, forfeiting security deposit. The work was rearranged after a lapse of more than 4 years at higher cost involving an additional expenditure of Rs. 23.50 lakhs

Owing to delay, the sides of the partly excavated canal had slipped and huge quantities of silt and loose earth had fallen into the canal, necessitating fresh excavation. An expenditure of Rs. 1.26 lakhs incurred on initial excavation had thus, become infructuous.

4. Construction of aqueduct at Shaliakara, from ch. 13,190 m to 13,553 m. in the right bank main canal, January 1979
Rs. 58.03 lakhs

The estimate was prepared, taking the distance between the end of the inlet transition and the start of first barrel as 25 metres as against 46.15 metres provided in the approved plan. Similarly, the estimate provided for an extension barrel for 25 m. at the outlet

*Name of work (estimated cost), month
and amount of contract*

Factors leading to extra expenditure

5. Driving tunnel from ch. 6,554 m
to 9,950 m
September 1980
Rs. 2,54.29 lakhs

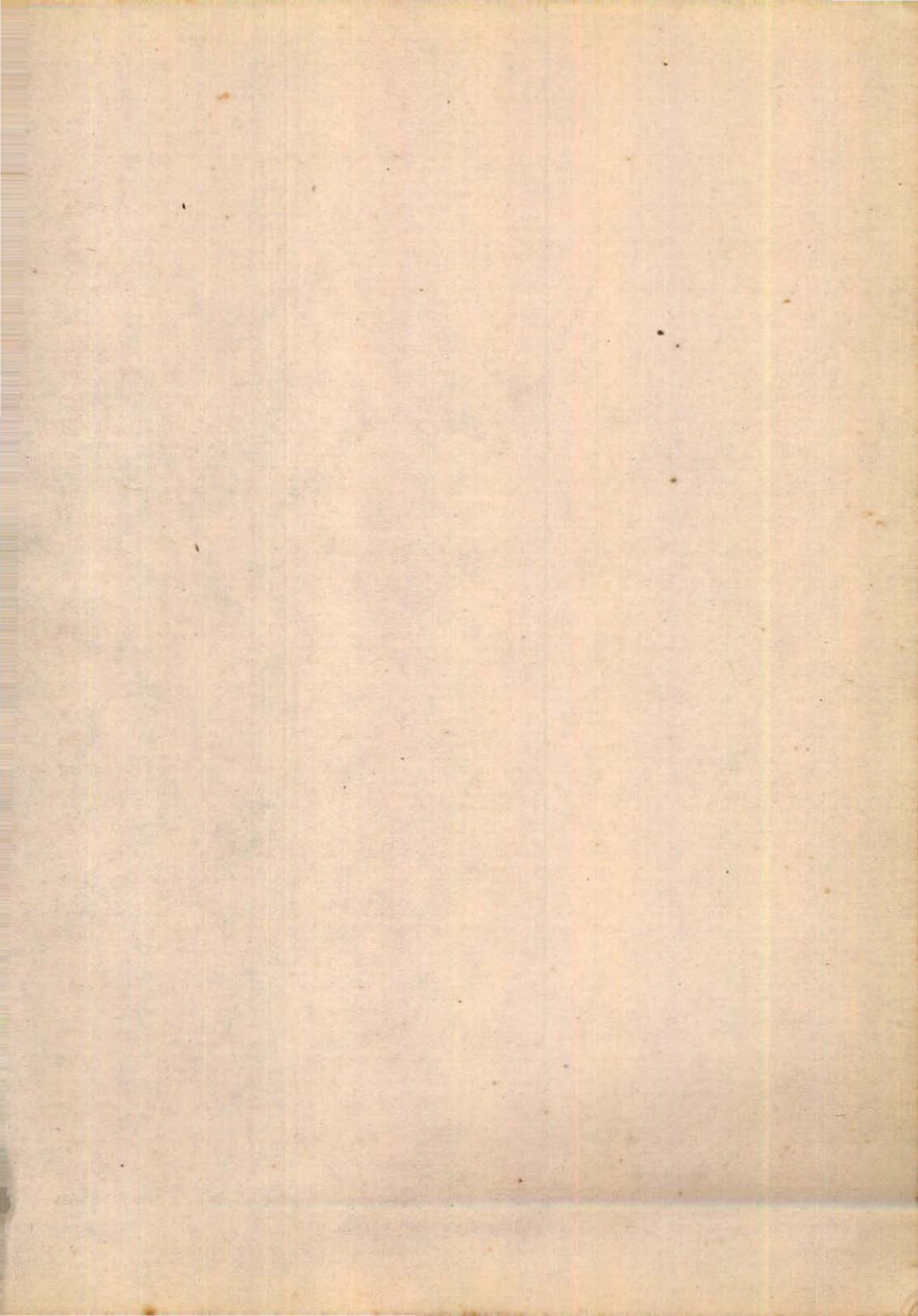
while the approved plan showed a curve with a distance of 34.40 m. As construction of an extension barrel in a curved shape was found impossible, it became necessary to provide cement concrete side walls at the outlet face which was not envisaged in the original estimate, entailing an extra expenditure of Rs. 0.67 lakh.

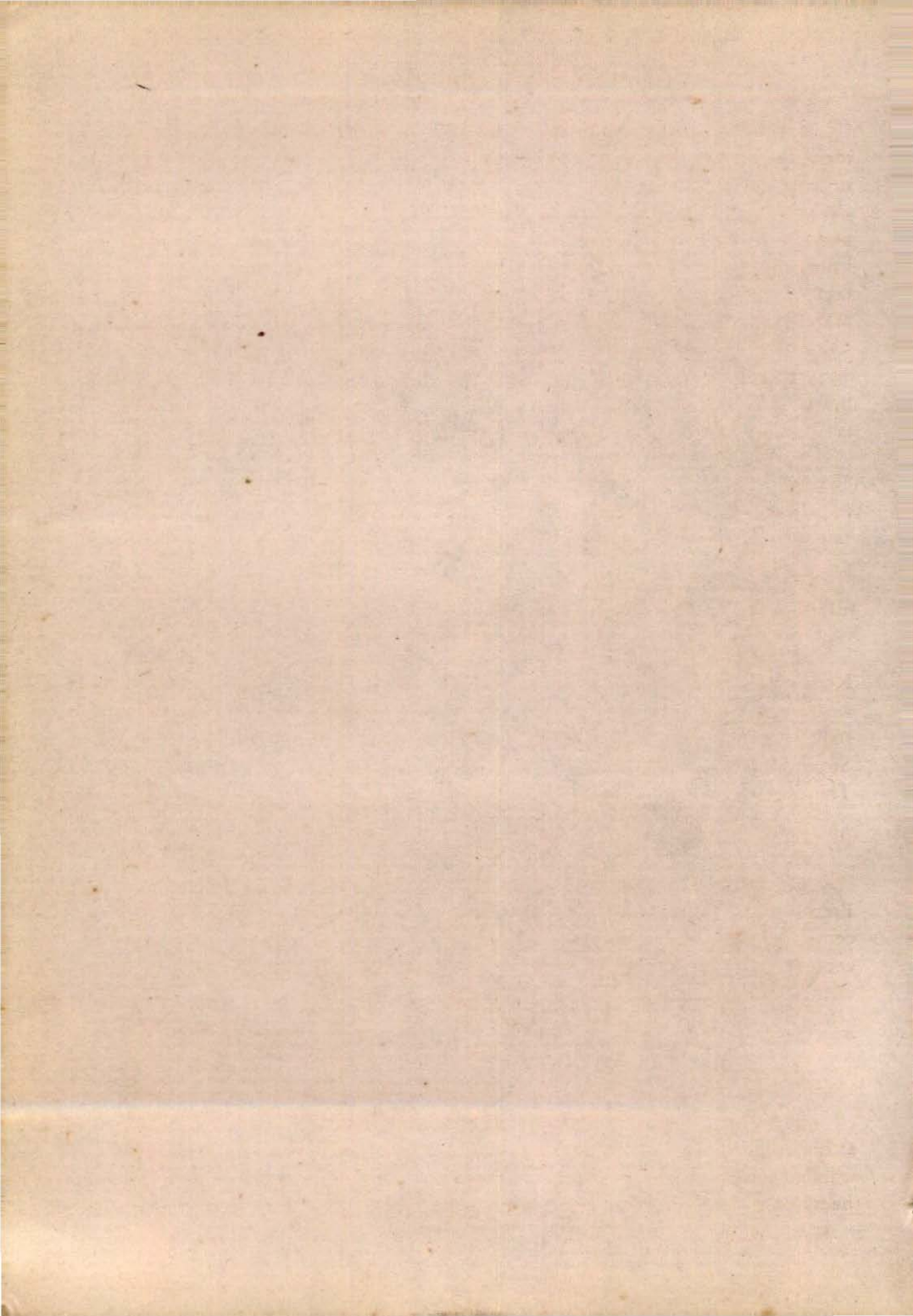
Stipulated date of completion was September 1984. Out of a total length of 3455 m of tunnel, only about 1000 m was completed till March 1985, spending Rs. 63.32 lakhs, of which Rs. 4.13 lakhs pertained to price adjustment. In November 1983 the roofs and sides of the canal at the exit face caved in and as a result, tunnel driving had been suspended at that face, pending execution of rectificatory works.

The haulage required for removal of slipped earth was less than that envisaged in the agreement. The contractor was, however, paid the full rate without any proportionate reduction resulting in an extra expenditure of Rs. 0.56 lakh.

6. Construction of aqueduct for ch.
1920 m to 2075 m in the left bank
canal
June 1981
Rs. 35.73 lakhs

During execution, well foundation originally envisaged for 2 trestles was changed to open foundation as hard laterite mixed with medium rock was found at the abutment portion of the trestles. The resultant additional commitment was Rs. 3.01 lakhs.





(ix) The "specification for canal works" which forms part of the agreement for canal works under the project, specifies 'A' lines (lines within which no unexcavated materials are to remain) and 'B' lines (the outer limit of excavation for which payment will be made). It also provides that any overcut portion beyond 'B' lines should be filled in with same material as for lining by the contractor at his expense. However, in five cases, Rs. 1.67 lakhs were spent by the department for filling the overblasted portion instead of getting it done at the expense of the contractors who had done the blasting work, on the ground that overblasting had occurred due to the stratified nature and other peculiar characteristics of rock and not due to careless blasting by the contractors.

(x) To resolve disputes arising from wide variation in quantities, change of design/specification during the course of execution, etc., contractors in a large number of cases resorted to arbitration, which ended in awards favourable to them entailing extra expenditure to Government.

Particulars of 12 such cases apart from those mentioned in the preceding sub paragraphs are given in Appendix 4.4.

(xi) Construction of an aqueduct from ch. 7,675 m to 7,873 m of Kodumon distributary was completed in November 1982 and Rs. 6.38 lakhs were paid to the contractor up to July 1982. His final bill has not yet been paid (April 1985). On an inspection of the work in September 1983, the Superintending Engineer noticed a breach in the barrel of the aqueduct. The defect had not been rectified yet.

(6) *Delay in recovery*

An amount of Rs. 16.01 lakhs was due to the project from the Kerala Premo Pipe Factory Ltd., (a Government Company) towards the cost of cement supplied to it during May 1983. A further quantity of 400 tonnes of cement was also given to the factory in March-April 1985 on loan basis without fixing any time limit for its return.

4.1.3. *Periyar Valley Irrigation Project*

(1) *Project profile*

The main components of the project are a barrage across Periyar river at Bhoothathan kettu and a system of canals and distributaries. The project, work on which was commenced in 1956, was originally intended to cover 25,617 hectares of land lying on the left bank. The project was partially commissioned

in 1966. To augment the potential of the project so as to cater to the irrigation needs of 32,800 hectares of land on the left bank, it was proposed (December 1972) to intercept the controlled release of water from Ennakal dam constructed across Idamalayar river by Kerala State Electricity Board. The estimate of the project was, therefore, revised from Rs. 3.48 cores to Rs.17.95 crores in 1972. It was again revised to Rs. 39.71 crores in July 1980 mainly on account of increase in labour rates and cost of materials. A further revision of the estimate was taken up in July 1982 and was pending finalisation. Expenditure on the project to the end of 1983-84 amounted to Rs. 40.03 crores.

(2) *Progress in execution*

The physical progress of various components was as follows:—

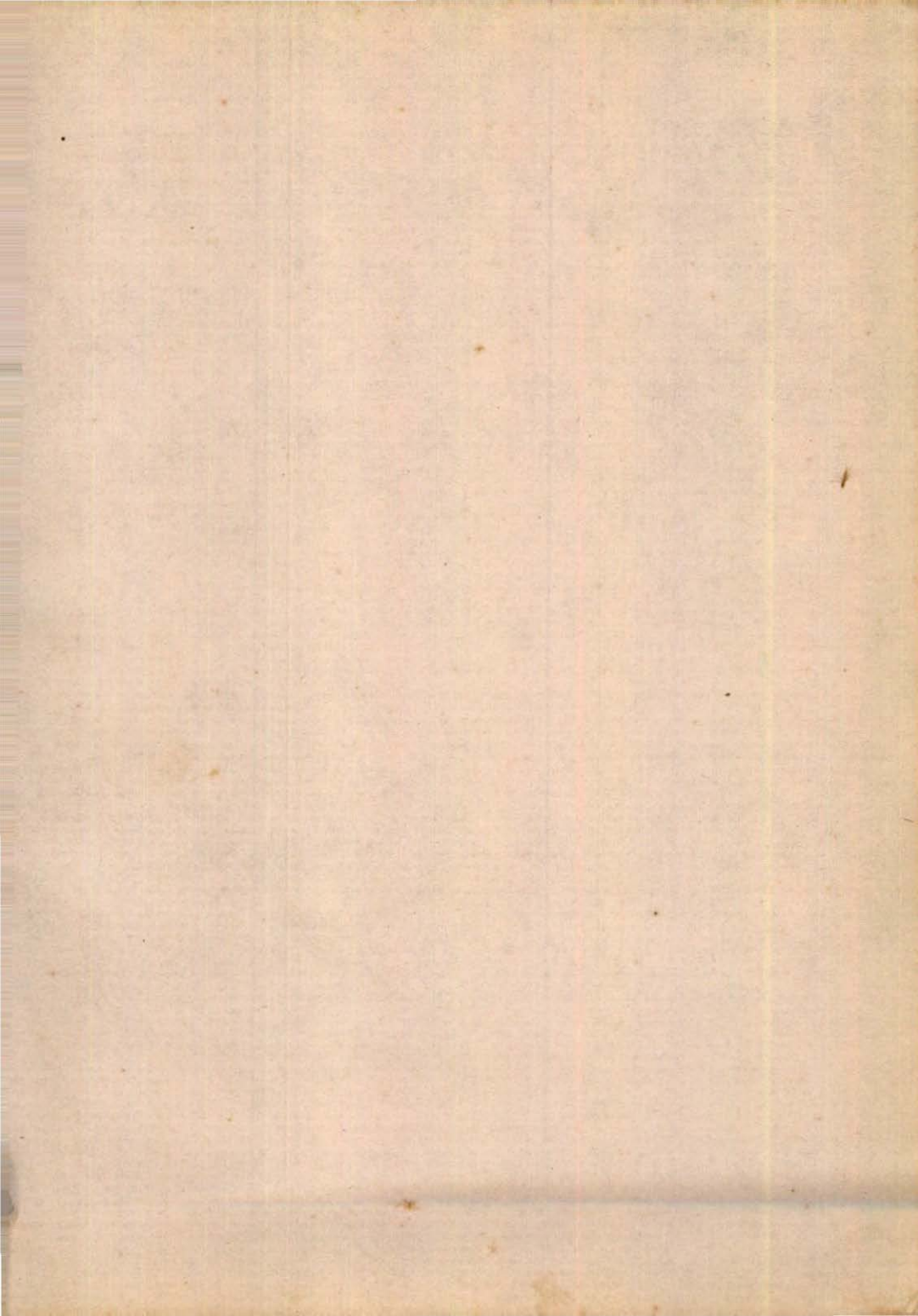
<i>Component</i>	<i>Estimate (second revision)</i>	<i>Achievement up to March 1984</i>
Barrage (length)	210.92 m.	210.92 m.
Main canal	8 km.	7.390 km.
High level canal	24.312 km	20.990 km.
Branches and distributaries	642 km.	560.184 km.
Field channels	140 km.	97.100 km.

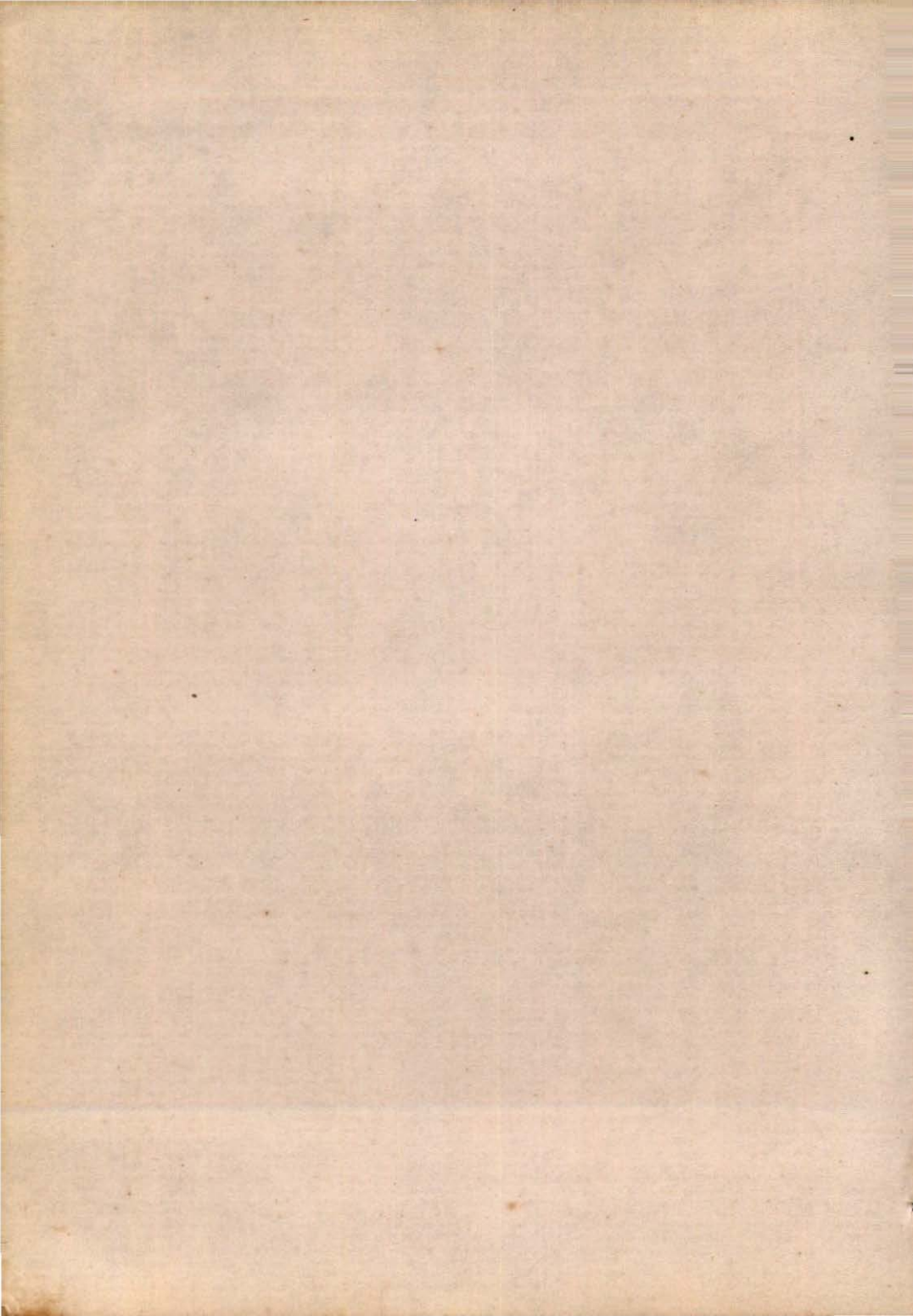
While the targeted length of the barrage was achieved as early as in 1966, modification envisaged in the project report (first revision) for raising the height of the barrage from 32.20 metres to 34.95 metres is yet to be completed (March 1985).

The ayacut covered till March 1979 was 18,880 hectares. According to the project report approved by the Planning Commission in July 1980, the project covering the entire ayacut of 32,800 hectares, was to be completed by 1981-82. There has, however, been no increase in ayacut since 1978-79. According to the department, further ayacut could be achieved only after full commissioning of the project.

(3) *Financial return and productivity*

Financial return expected from the project according to the 1972 project report was Rs. 17.06 lakhs by way of irrigation cess and Rs. 16.57 lakhs from sale of water to the Cochin Division of the Fertilisers & Chemicals (Travancore) Ltd. (FACT). Collection of water cess had been stayed in a number of





cases. The details of collection as also the amount involved in stay orders are given in the following table:—

<i>Year</i>	<i>Water cess collected</i>	<i>Amount involved in stay orders</i>	<i>Sale of water to FACT</i>
	<i>(in lakhs of rupees)</i>		
1980-81	8.68	3.24	8.10
1981-82	8.97	6.39	7.70
1982-83	6.62	4.77	8.12
1983-84	7.26	1.04	7.26

Though the department had expected (1975) to collect Rs. 4.10 crores towards betterment levy during a period of 15 years from the date of commencement of irrigation, no betterment levy had been collected yet.

Additional production of paddy expected as per the project report is 1.24 lakh tonnes per year. No records showing the actual increase in production, were however, kept by the department.

(4) *Execution of works*

(i) There was considerable delay in execution of various works. In several cases, the contracts had to be terminated and the works rearranged at higher cost, causing delay and extra expenditure. Contracts for 43 works (estimated cost: Rs. 3,58.25 lakhs) were terminated during 1980-81 to 1983-84 owing to slow progress of work by the contractor. In 30 of them, the termination was at the risk and cost of the contractors and the liability recoverable from them was initially fixed as Rs. 1,07.79 lakhs. However, fixation of liability of Rs. 44.53 lakhs in 20 works was subsequently set aside by the Arbitrator. Details of recovery in other cases are awaited (December 1985).

(ii) An estimate (Rs. 27.5 lakhs) for supply and erection of crest gates for the barrage was technically approved by the Chief Engineer in April 1976. Based on tenders, the work was awarded to a firm in June 1976 for Rs. 22.99 lakhs, stipulating the date of completion as June 1979. In March 1977, the firm proposed a revised design for the hoist mechanism. As recommended by the Chief Engineer in May 1978, Government approved the revised design in November 1978 and also raised the contract amount to Rs. 33.64 lakhs. The firm supplied and erected 15 shutters between April 1979 and May 1982. In August 1983, the Assistant Executive

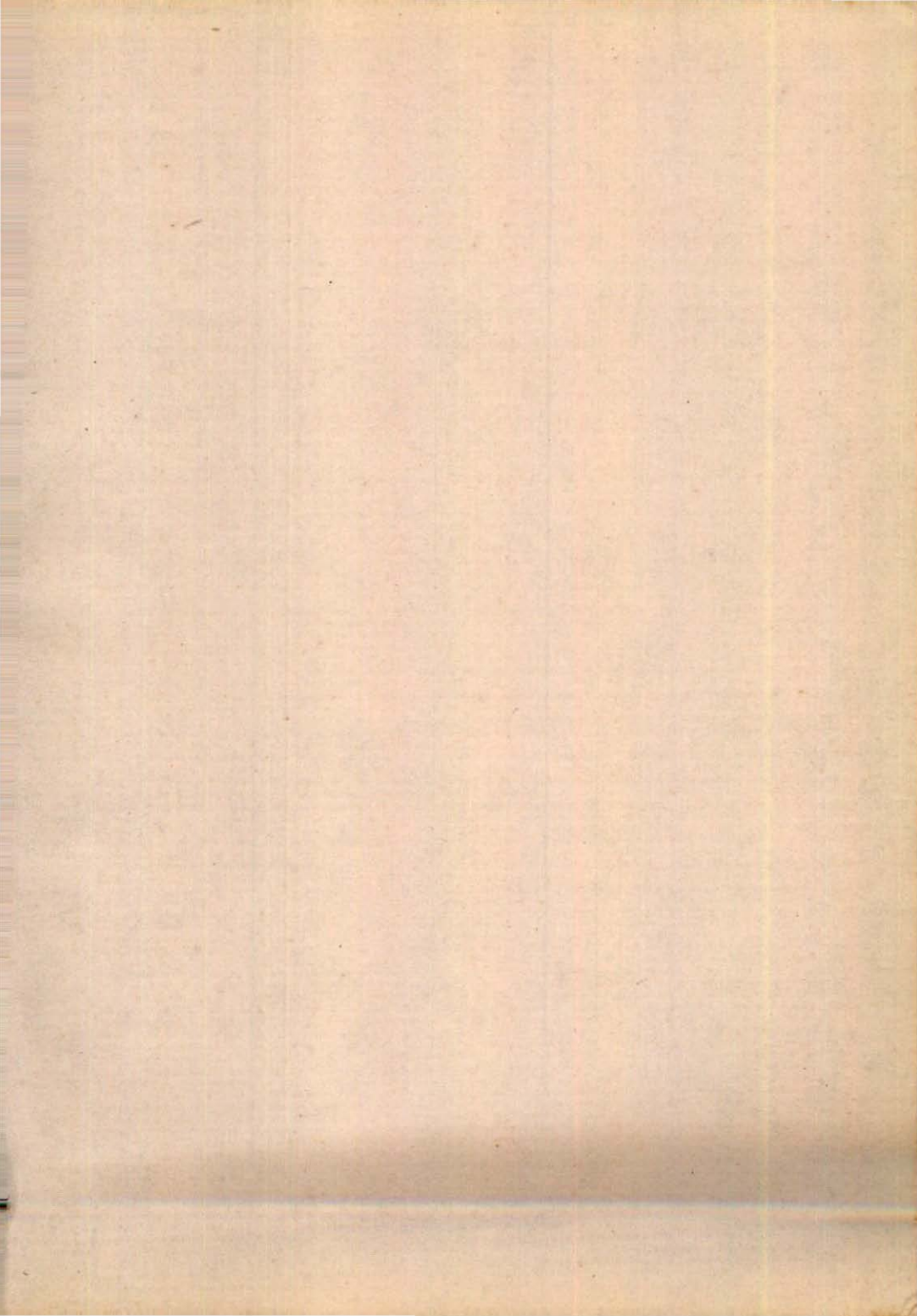
Engineer reported that 12 out of 15 shutters were defective, rendering regulation of flood discharge difficult. When the firm was asked to remedy the defect, it suggested additional works estimated to cost Rs. 8.48 lakhs. Though the modifications were carried out by the firm, the shutters continued to be defective. The defects have not been rectified yet (December 1985).

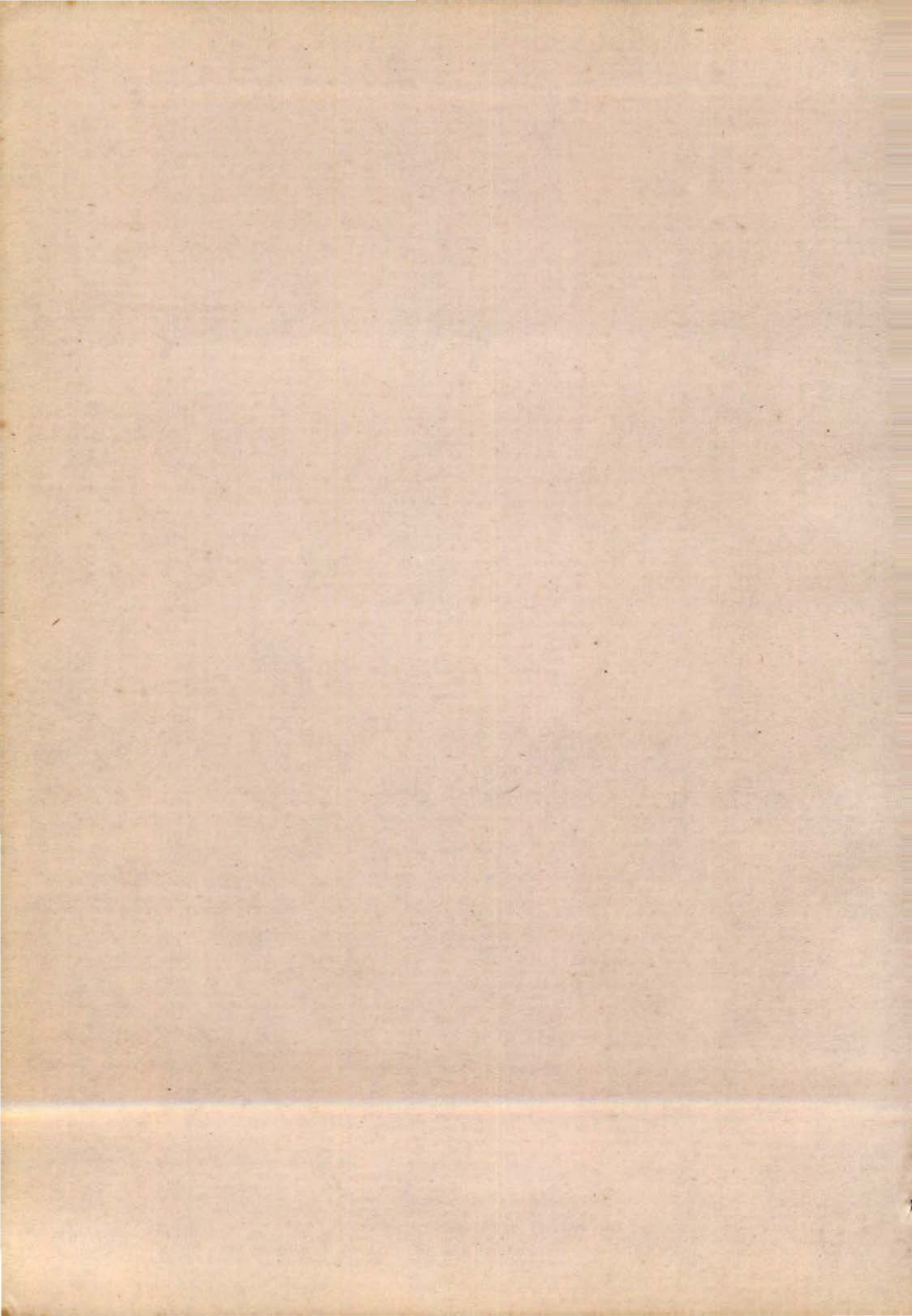
(iii) The work of driving a tunnel across Methala hills from ch. 10,708 m to 11,796 m and formation of canal from ch. 10,520 m to 10,708m and from ch. 11,796 m to 11,951 m (estimated to cost Rs. 50.91 lakhs) was awarded to a contractor in March 1977 for Rs. 53.32 lakhs. Though the work was started in March 1977, the contractor stopped the work in April 1979 alleging failure on the part of the department to supply explosives. In May 1979, the contract was terminated at his risk and cost. His liability was fixed at Rs. 25.68 lakhs, but could not be recovered as the arbitrator to whom the dispute was referred by the contractor absolved him of all liabilities, besides granting him extra claims for Rs. 2.51 lakhs. The balance work was entrusted to another contractor in June 1980. He stopped the work in August 1982 on the ground that the required cement had not been supplied. In September 1983, the contract was terminated at his risk and cost. A suit filed by him against this, was still pending. The remaining work was entrusted to yet another contractor in May 1984, for Rs. 32.27 lakhs, and was yet to be completed.

On account of the delay, only 1000 metres out of 1200 metres of tunnel had been completed so far, the expenditure up to the end of February 1985 being Rs. 63.04 lakhs.

(iv) Some other cases, where disputes with contractors had affected the progress of works are given below:—

<i>Name of work, month and (amount of contract)</i>	<i>Remarks</i>
1. Constructing an aqueduct at Velambur at ch. 22535m; January 1979 (Rs. 19.82 lakhs)	Work started in January 1979 was due for completion within 12 months. As a result of changes in design of foundation, provision of additional span at the end of the aqueduct, changes in bearing, etc., and failure to supply M.S. rods in





time, the work dragged on and the contractor stopped the work in January 1980. The contract was terminated in July 1983 and extra expenditure due to rearrangement of work was estimated at Rs. 17 lakhs. The department stated (February 1985) that the amount had been advised for recovery from the contractor under the Revenue Recovery Act.

2. Constructing Paipra North M.D. from ch. 5,000 m to 5,205 m and 5,315 m to 5,470 m aqueduct from ch. 5,205 m to 5,315 m; April 1980; (Rs. 2.27 lakhs)

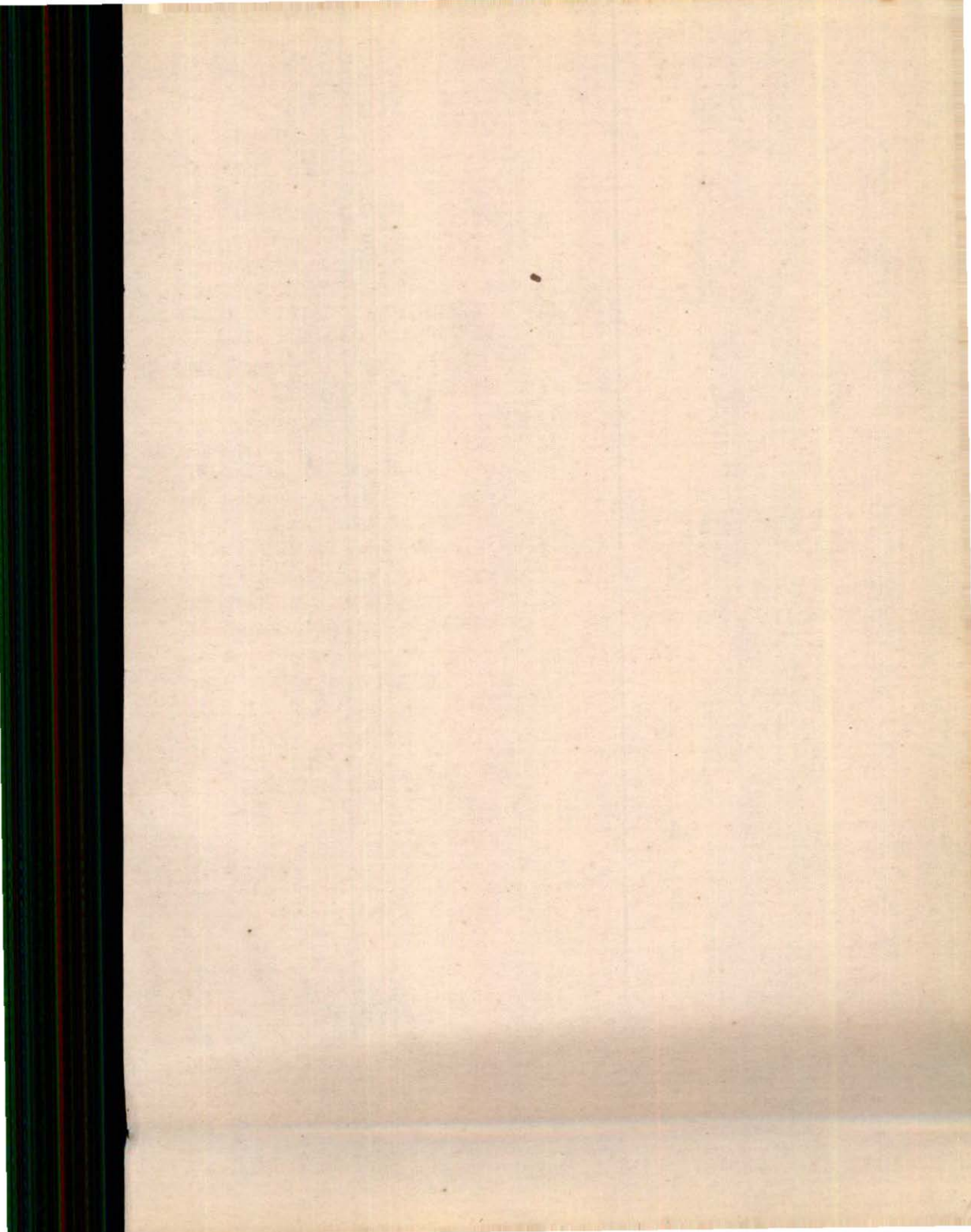
The work was due for completion by June 1981. On account of delay in taking initial levels and change of design, the work could not be completed by the stipulated date. As the contractor's demand for enhanced rate was not agreed to by the department, he abandoned the work in June 1981. A suit filed by the contractor, requesting for the appointment of an Arbitrator as provided in the Madras Detailed Standard Specification (MDSS) was decided by the Court in his favour. The Arbitrator so appointed absolved the contractor of all liabilities for the balance work. The judgement of the Court was based on the fact that the condition regarding arbitration in the MDSS had not been deleted while executing the agreement. Recovery forgone as a result of this amounted to Rs. 2.52 lakhs.

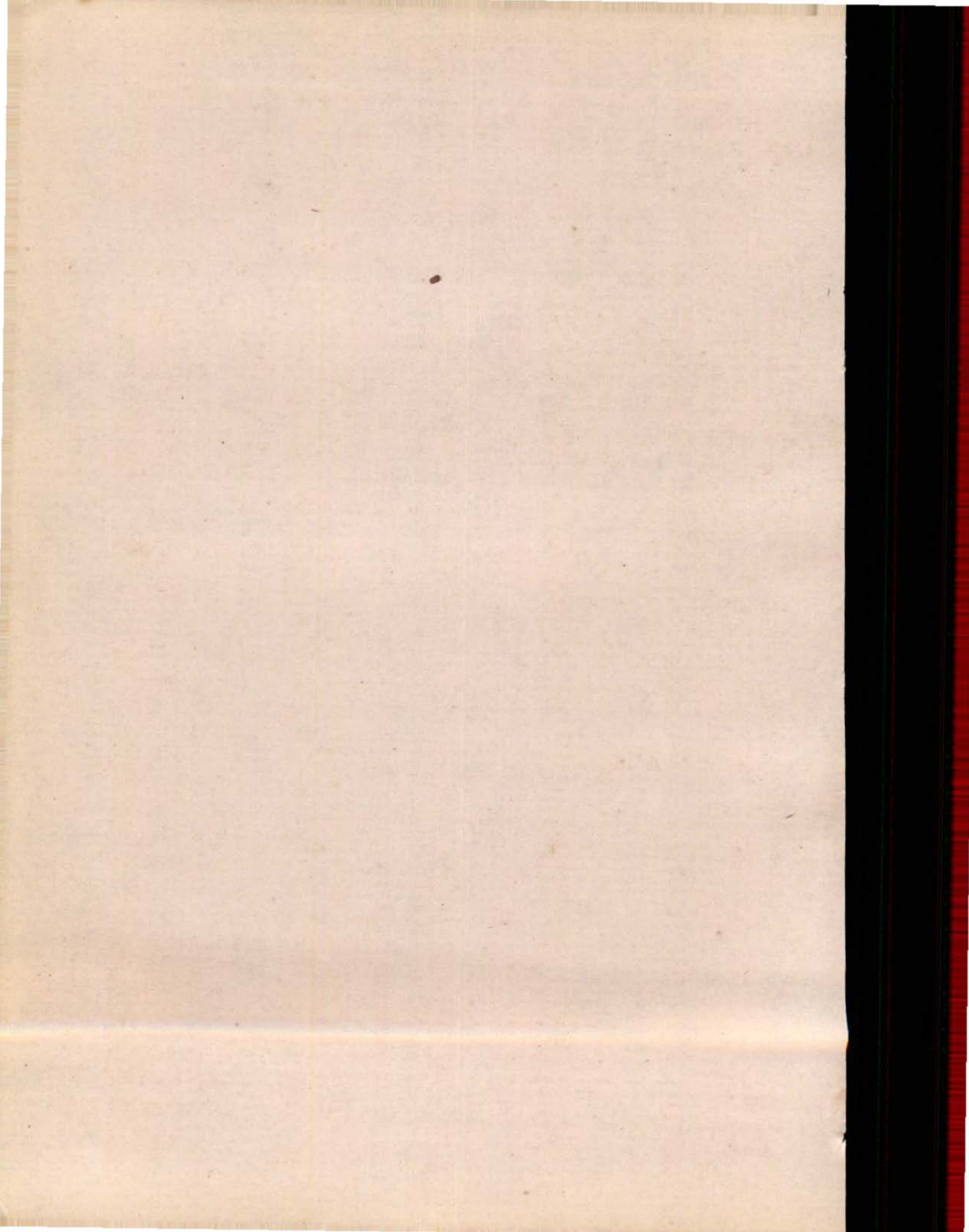
3. Constructing high level canal from ch. 17,675 m to 18,005 m including CD works; January 1977; (Rs. 4.96 lakhs)

Against 3,370 cubic metres of rock blasting estimated, the actual quantity done was 6,040 cubic metres. In view of this variation, the contractor demanded higher rates which were not sanctioned by the department. The department terminated the contract in November 1980. On an arbitration petition filed by the contractor, the Arbitrator passed an award absolving him of all liabilities and also awarding a compensation of Rs. 0.94 lakh for increase in the quantity of rock blasting. As a result, the extra expenditure on rearrangement of the work (Rs. 2.77 lakhs) could not be recovered from the contractor.

4. Work of constructing an aqueduct from ch. 40 m to 288 m of Edappally branch canal; February 1978; (Rs. 6.70 lakhs)

On account of changes in design and non-removal of electric lines crossing the alignment of the aqueduct, the work got prolonged. The contract was terminated in January 1981. Though the department fixed a liability of Rs. 2.56 lakhs against the contractor, the Arbitrator to whom the dispute was referred, reduced (March 1981) the liability to Rs. 10,000.





4.1.4 Attappady Valley Irrigation Project

(1). Project profile

The project aims at developing Attappady valley, a tribal area in Palghat District. It envisages construction of a straight gravity masonry dam at Chittoor across Siruvani river with appurtenant works like spillway, river sluice, etc., and a canal system (total length: 47.04 km) to provide irrigation. According to a project report prepared in 1970, the project was to cost Rs. 4.76 crores. It was revised to Rs. 8.50 crores in 1978. Though the estimate was further revised to Rs. 26.00 crores in 1983 to provide realignment of canals and a changed crop pattern, it is yet to be approved by the Central Water Commission. The project is executed by Attappady Valley Irrigation Project Division, Agali. Expenditure on the project to the end of March 1984 was Rs. 4.70 crores.

(2) Progress in execution

The work on the project commenced in April 1977 with the expectation that it would be completed within 5 years. The progress of the work is as follows:—

<i>Item of work</i>	<i>Stage</i>
1. Head works	Foundation excavation for right and left flanks of the dam had been partly done. Other works are yet to be taken up (March 1985).
2. Canal system	Right bank canal was partly completed for a length of 6.25 km. Other works are yet to be taken up (March 1985).

During the period from April 1977 to March 1981, only 2 works on dam and 9 works on canal system were taken up. No work was completed till January 1986.

From 1981-82 to 1983-84, only one work pertaining to foundation excavation was undertaken. While the works expenditure during the period was just Rs. 2.89 lakhs, the expenditure incurred on staff during the same period amounted to Rs. 33.42 lakhs.

As a result of slow progress of the works, several items of plant and machinery costing Rs. 21.08 lakhs (including one sand processing plant costing Rs. 10.36 lakhs) had been lying idle since 1981.

(3) *Extra expenditure*

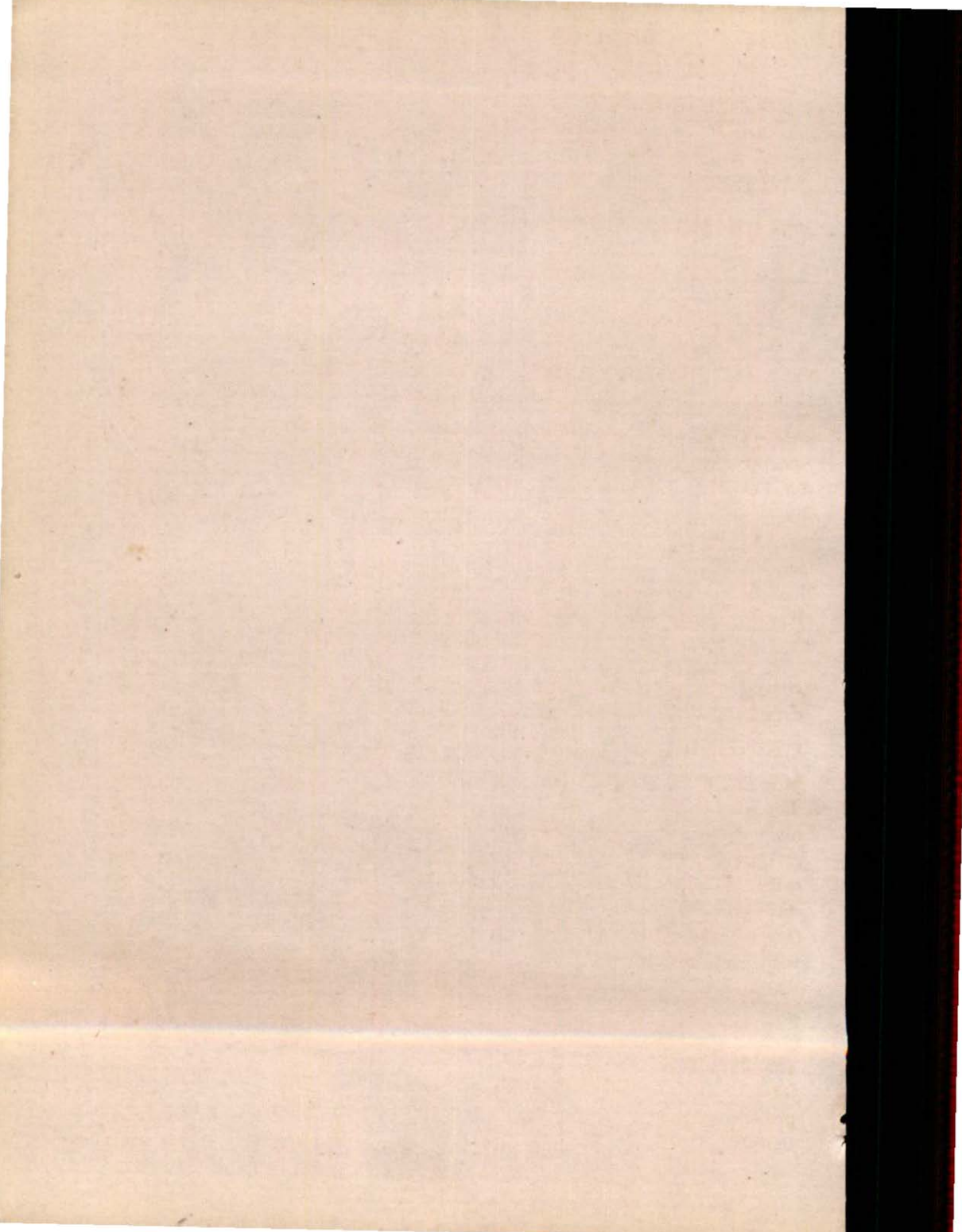
(i) On account of change in the design, the contracts awarded for formation of right bank main canal in 8 reaches had to be terminated between October 1981 and July 1982 without risk and cost to the contractors. In one of the reaches, the extra expenditure due to rearrangement of the work is estimated at Rs. 7.41 lakhs ; in other reaches, it could not be quantified as the works had not been rearranged.

(ii) The work of foundation excavation for the left flank of the dam was commenced in February 1979. In September 1980, the contractor intimated the department his unwillingness to do the balance work. His contract was terminated in October 1981 without risk and cost on either side. The portion of the completed work was measured by the department only in January 1982. In the meantime, silt accumulated in the area and for its removal, the department had to incur an additional expenditure of Rs. 0.66 lakh. According to the Chief Engineer, Projects I, (January 1986), the delay in taking final measurement was due to rain. But this does not explain the delay of more than one year in taking final measurements.

(iii) During the period from 1979-80 to 1984-85, 13,021 tonnes of cement were procured by the division, out of which the quantity utilised during the period was only 1,499 tonnes. A quantity of 9,516 tonnes was transferred to various other divisions. As the supply was for-destination by rail, part of the expenditure incurred by the recipient divisions on conveyance of cement (i.e. from Agali to the nearest rail head) could have been avoided, had the consignments been despatched in the first instance to the nearest rail station by the suppliers. The avoidable expenditure on this account worked out to Rs. 1 lakh. The Chief Engineer, Projects I stated in January 1986 that cement was procured on the basis of a forecast and that as it was found excessive, the surplus had to be transferred to other needy divisions.

(4) *Excessive purchase of stores*

Against a reserve limit of Rs. 10 lakhs, the stock held by the division during the period from September 1982 to March 1984 was worth more than Rs. 56 lakhs. The excess stock holding is still to be regularised by Government (January 1986).



A sum of Rs. 50.59 lakhs was pending realisation from other divisions (November 1985) towards the cost of materials supplied/services rendered to them by the project division during the period from 1981-82 to 1984-85.

4.1.5. Karapuzha Project

(1) Project profile and progress

The project envisages construction of a main dam (height: 30.5 metres; length: 625 metres), 3 small earthen saddle dams and a canal system for a total length of 40 km.

The original estimate of the project sanctioned in 1970 was Rs. 3.89 crores which was revised in December 1975 to Rs. 7.60 crores. The cost was estimated (October 1981) to rise further to Rs. 12 crores. The reasons for revision of estimates are inflation, adoption of costlier construction like cut and cover where open canal was earlier envisaged, high cost of land, etc. The outlay on the project up to March 1984 was Rs. 5.48 crores (exclusive of land acquisition charges amounting to Rs. 2.67 crores which had not been adjusted in accounts for want of budget provision). Karapuzha Project Division is in charge of execution of the project.

Work on the project was commenced in 1978 and was expected to be completed by 1981. However, the progress was slow. The project is expected to be completed during Seventh Plan period.

(2) Construction of an earthen dam at Vazhavatta upto the level of +743 m. was entrusted to a contractor in July 1981 under two agreements. The work which was commenced in October—November 1981, consisted mainly of earth work for filling and forming homogeneous section and consolidation in 150 mm. layers. The estimate envisaged only consolidation using power roller. During execution, an extra item of preliminary consolidation by a bulldozer weighing 20 tonnes was got done on the plea that it was necessary for obtaining the required design density. Though, as a result, consolidation with power roller with less weight (8-10 tonnes) became superfluous, it was also got done. Another work of similar nature had also been arranged in June 1984 and was being executed on identical lines. The estimated cost of consolidation with power rollers which was apparently excessive/superfluous amounted to Rs. 3.12 lakhs. The Chief Engineer, Projects I stated in January 1986 that the 'chaining' of bulldozer was 'resorted to as a mode of preliminary consolidation prior to power roller consolidation to attain designed density'.

(3) *Idle plant and machinery*

A bulldozer and dumper procured by the division in 1981 at a cost of Rs. 0.65 lakh are remaining idle from April 1983 and February 1982 respectively for want of repairs. The bulldozer has worked only for 11 days and the dumper for 4 days since their purchase. The Chief Engineer, Projects I stated in January 1986 that a proposal for the transfer of dumper to Kanhirapuzha Project was under consideration.

(4) *Claims pending recovery from other divisions*

Claims raised by the division against other divisions towards cost of services/supplies, have not been settled in a number of cases. The amount outstanding for settlement at the end of December 1985 was nearly Rs. 11 lakhs, including Rs. 8 lakhs pending against Buildings and Roads Division, Wynad (oldest item pertains to May 1981) and Rs. 2.70 lakhs against Pazhassi Project Division No. II

(5) *Arrears in recovery of rent*

Out of 96 units of staff quarters constructed under the project, 10 had been allotted to staff of other departments. Rent due for them from 1979-80 onwards had not been recovered; arrears amounted to Rs. 0.65 lakh, up to the end of 1983-84.

Summing up

Major points emerging from the foregoing paragraphs are outlined below:—

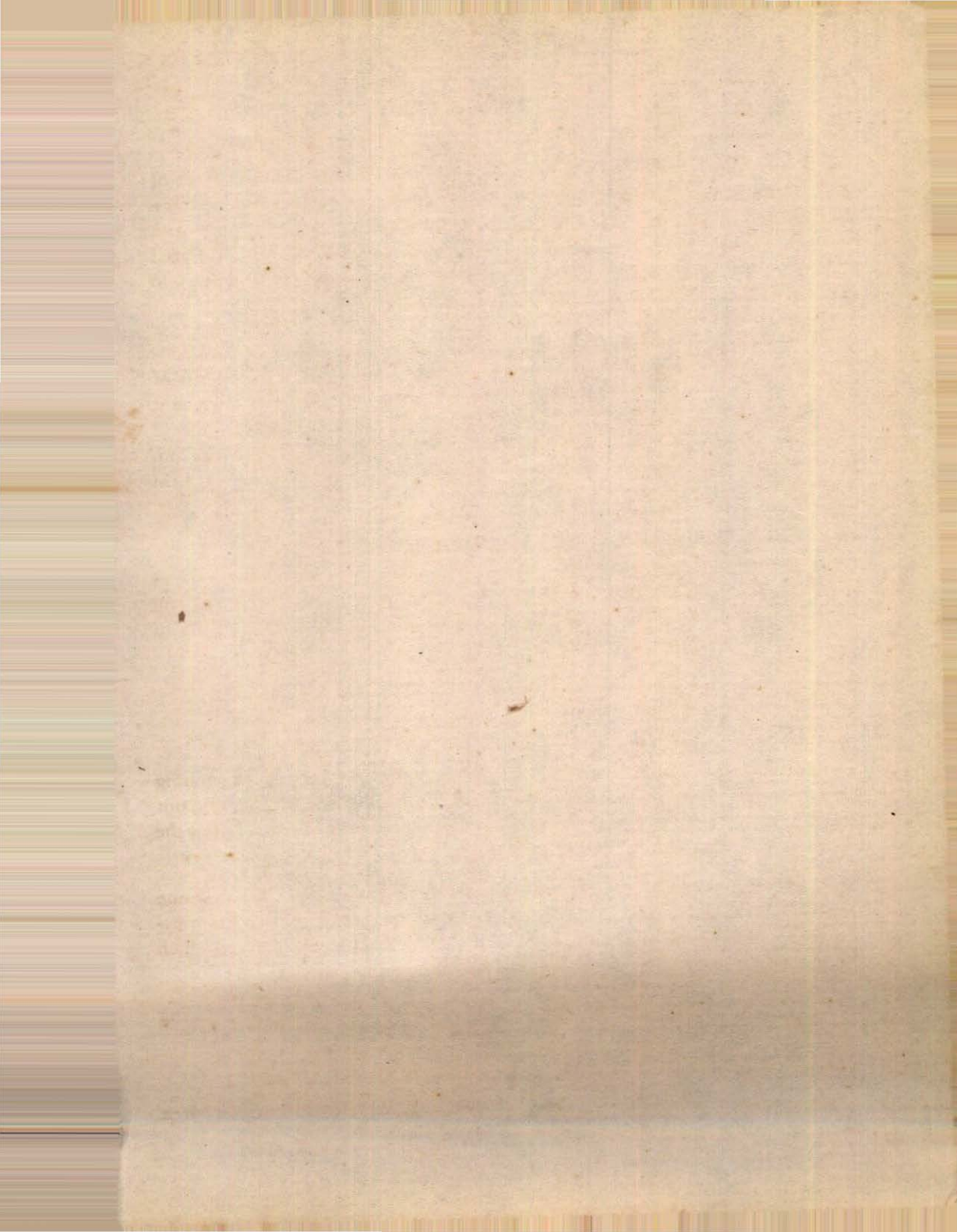
There were 10 completed major/medium projects and 14 continuing projects in the State as at the end of 1984-85. Out of the incomplete major projects, seven were started more than 2 decades back, i.e., one during the Second Plan and 6 during the Third Plan.

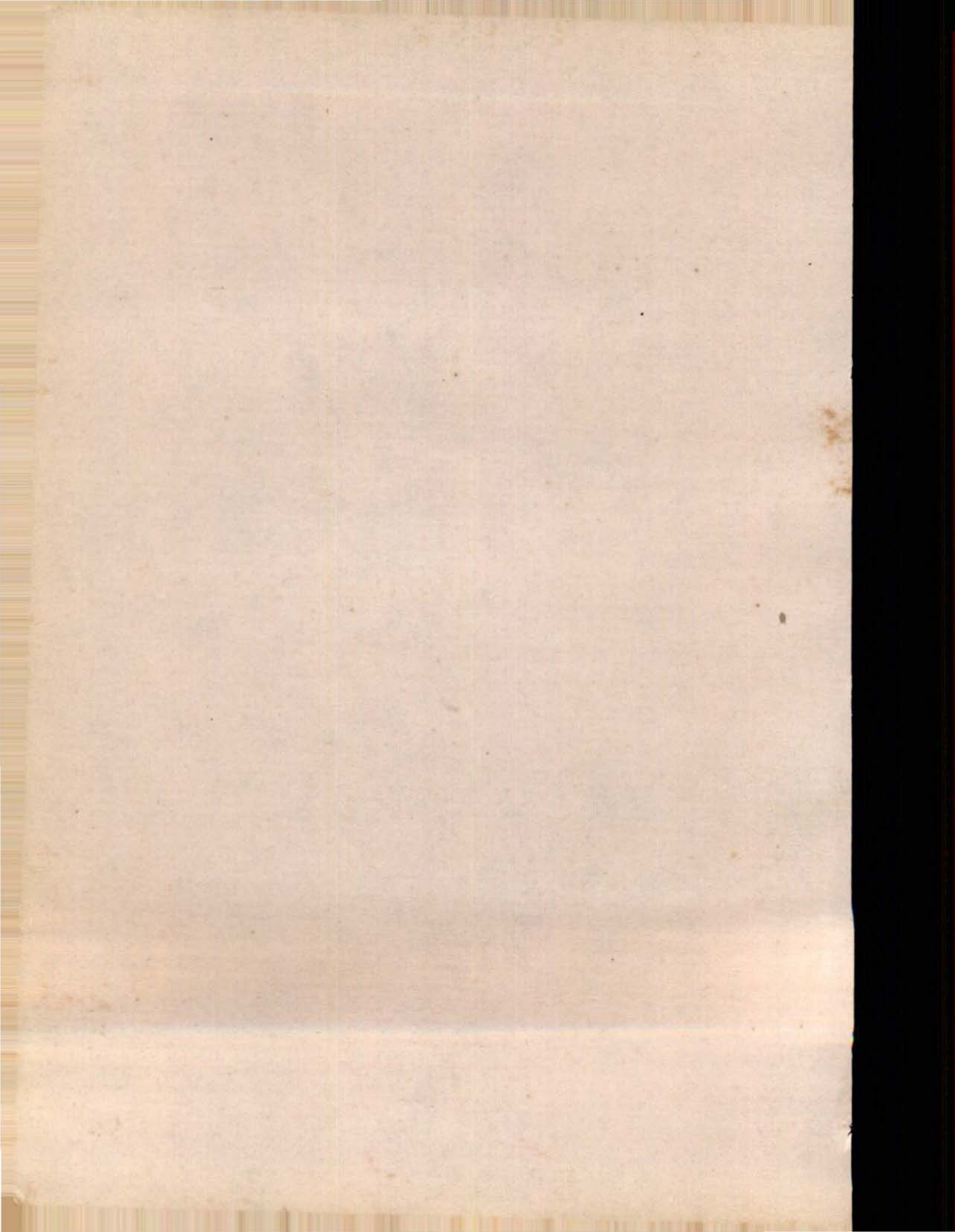
Total ayacut of the commissioned projects reported to the Revenue Department to the end of March 1984 was 1.40 lakh hectares. Joint verification had been completed only in respect of 1.30 lakh hectares of which the area brought to assessment was only 1.02 lakh hectares.

Total net revenue loss in the case of eight irrigation projects during the period 1980-81 to 1983-84 aggregated Rs. 17.18 crores.

Kallada Project

According to the 1981 estimate, the cost per hectare of benefited area was about Rs. 26,540 as against Rs. 2,477 estimated in 1966.





The project cost has undergone several revisions and according to the draft Seventh Plan the project is estimated to cost Rs. 210 crores.

Price variations allowed between March 1981 to May 1985 to contractors in 23 cases where period of contracts extended beyond 12 months amounted to Rs. 43.70 lakhs. This included an extra expenditure of Rs. 1.54 lakhs due to incorrect application of price escalation condition in 5 cases.

Reference of contractors' disputes to arbitration resulted in awards granting extra amounts (Rs. 67.03 lakhs) to contractors in 15 cases.

Wide variations between estimates and actuals in 14 cases led to an extra expenditure of Rs. 9.10 lakhs.

Contractual problems in regard to dam works had led to an extra expenditure of Rs. 42.85 lakhs.

Periyar Valley Irrigation Project

Though the project was partially commissioned in 1966, it is yet to benefit about 42 per cent of the ayacut visualised in the project report.

Contracts for 43 works were terminated during 1980-84 owing to slow progress of work; in 30 of them termination was at the risk and cost of the contractors. Liability of Rs. 44.53 lakhs fixed in 20 cases could not be recovered as it was set aside by the arbitrator.

Attappady Irrigation Project

The project was started in 1977 but only a small fraction of the work had been completed. Extra expenditure due to rearrangement of work at higher cost after termination of earlier contracts, avoidable work, avoidable transport, etc., amounted to Rs. 9.07 lakhs in 3 cases.

Karapuzha Project

There has been very little progress in the execution of Karapuzha project which was originally targeted to be completed by 1981. Expenditure on avoidable consolidation of earthwork in 3 cases worked out to Rs. 3.12 lakhs.

A bulldozer and dumper purchased for Karapuzha Project are remaining idle.

The matter was reported to Government in September 1985; their reply is awaited (December 1985).

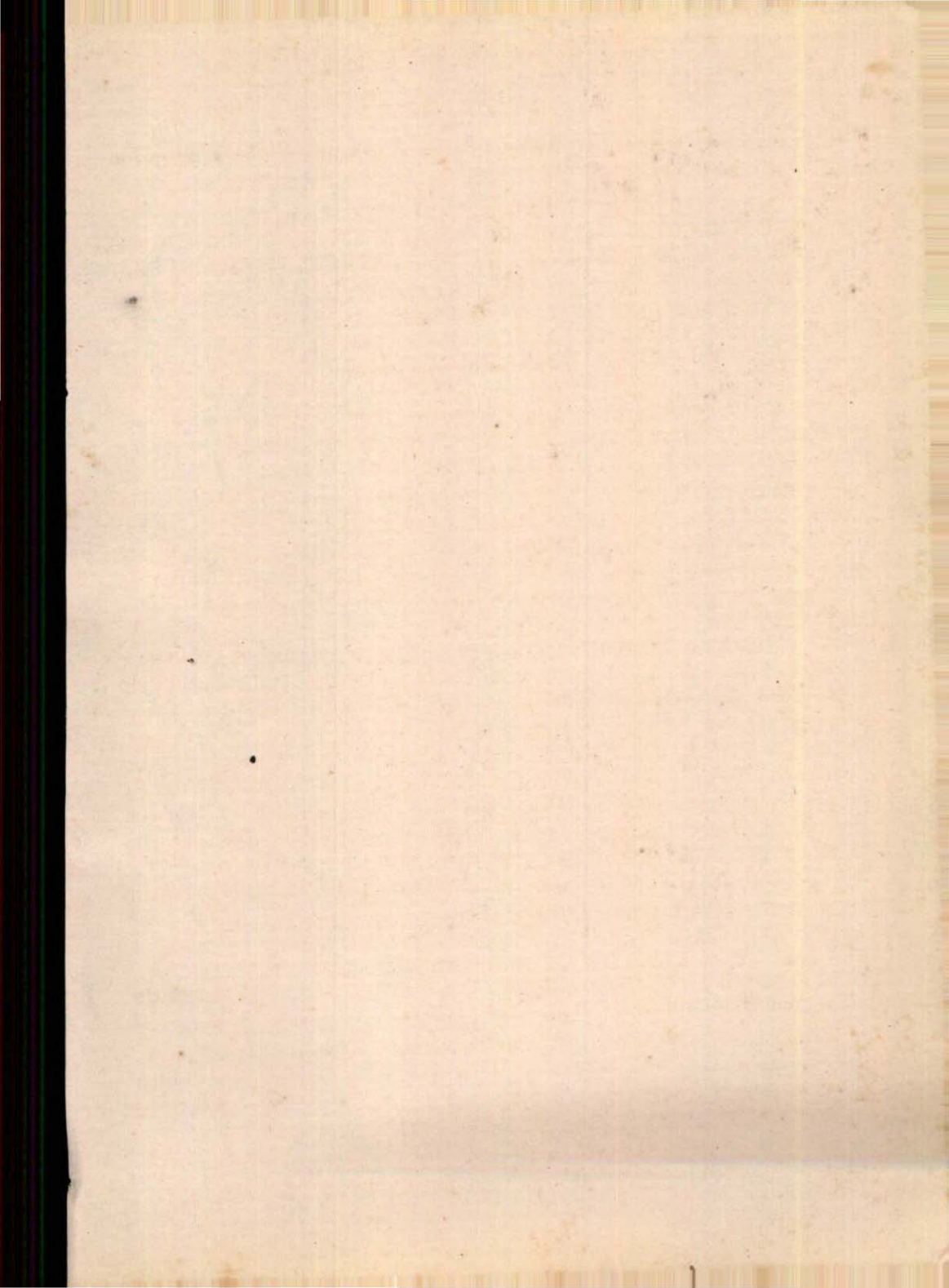
4.2. Kuttiadi Irrigation Project—Extra expenditure due to adoption of incorrect data

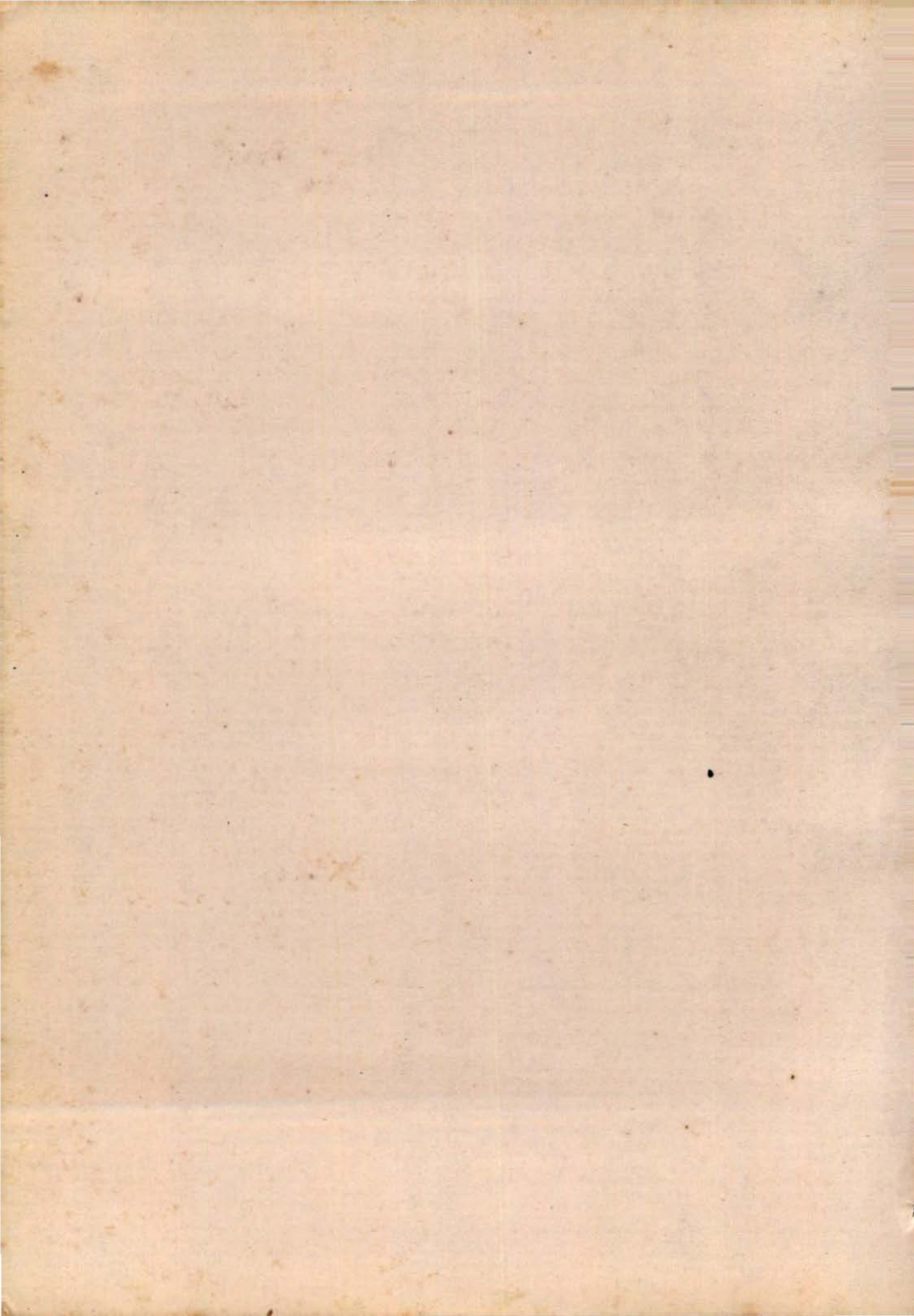
When earth work is done, spoil banks are formed by depositing surplus cut earth. Breaking clods, ramming, sectioning, etc., may be necessary for forming spoil banks in some cases, but such items are not required for 'earth work and rough banking'. The estimated labour requirement for the former is more than that for the latter, the excess being 0.49 man mazdoor and 0.5 boy mazdoor for 10 cubic metres of excavation in hard soil and 1.05 men for 10 cubic metres of excavation in ordinary/medium rock.

The work of forming Maniyur distributary from chainage 0 to 3630 m. of Kuttiadi Irrigation Project (Ky I P) was split up into several segments and executed during 1978-80 by Ky I P Division No. II, Badagara. Estimate of the work envisaged formation of canal by cutting earth and dumping the cut earth, either on land acquired for the canal or on private land in reaches where the land acquired was insufficient. While preparing estimate for canal formation in reaches where the cut earth was to be deposited on private land, the rate was derived from the data items which provided, in addition to excavation and dumping of cut earth, for items like, consolidation, breaking of clods, watering, ramming sectioning of spoil bank, stacking of serviceable materials, etc. As the cut earth was merely to be dumped on private land, items like consolidation, breaking of clods, watering, ramming etc., were not necessary and the rate was to be derived with reference to cheaper data item which provided only for 'earth work and rough banking'. Total quantity of earth work executed for formation of the distributary in 10 reaches worked out to 23,435 cubic metres of excavation in hard soil and 34,390 cubic metres of excavation in ordinary/medium rock. The adoption of the costlier item for executing the work, with no additional benefit to the department, resulted in an avoidable expenditure of Rs. 0.62 lakh. Government stated (November 1985) that the bunds were formed with proper consolidation as per the directions of the land owners.

4.3. Pazhassi Irrigation Project—Avoidable expenditure owing to departmental lapse

Tenders were invited by the Superintending Engineer, Project Circle, Kozhikode in May 1978 for the work "Pazhassi Irrigation Project—Forming Edakkad branch canal from chainage 8700 m to 10175 m including construction of C.D. Works". In June 1978, the work was awarded to a tenderer for Rs. 5.97 lakhs at 30 per cent below estimate rate less cost of departmental materials, specifying the time of completion as 8 months.





Agreement with the contractor was executed in August 1978. Although in May 1978, Government had issued orders laying down that recourse to arbitration for resolving disputes or differences arising out of work contract was to be restricted to works with a probable amount of contract of Rs. 2 lakhs and below (as per estimate), the clauses relating to arbitration were not deleted from the agreement executed.

The contractor did not complete the work within the stipulated time, alleging (i) delay on the part of the department in cutting and removing trees, shifting electric posts, demolishing buildings, etc., to clear the site, (ii) change in the nature of soil and (iii) occurrence of springs on excavation of soil. The contract was, therefore, cancelled (July 1980) at his risk and cost and the balance work arranged through another agency.

The original contractor filed (August 1980) a petition before the Chief Engineer, Arbitration demanding enhanced rates and also requesting to be absolved from the risk and cost for execution of the remaining work. These claims were allowed by the arbitrator by an award passed in March 1981 which was decreed by the Sub Court, Trivandrum in August 1981. The resultant extra expenditure to Government amounted to Rs. 4.60 lakhs.

Government stated that the Government order requiring deletion of arbitration clause, though issued on 8th May 1978, was received by the Superintending Engineer only on 17th June 1978, i.e., after expiry of the last date fixed for the receipt of tenders. This however, does not explain why the Superintending Engineer, in view of the change in tender conditions ordered by Government, did not retender the work, deleting the arbitration clause. It was, further, seen that the agreement with the contractor was executed only on 21st August 1978.

4.4. Pamba Irrigation Project—Extra expenditure due to retender

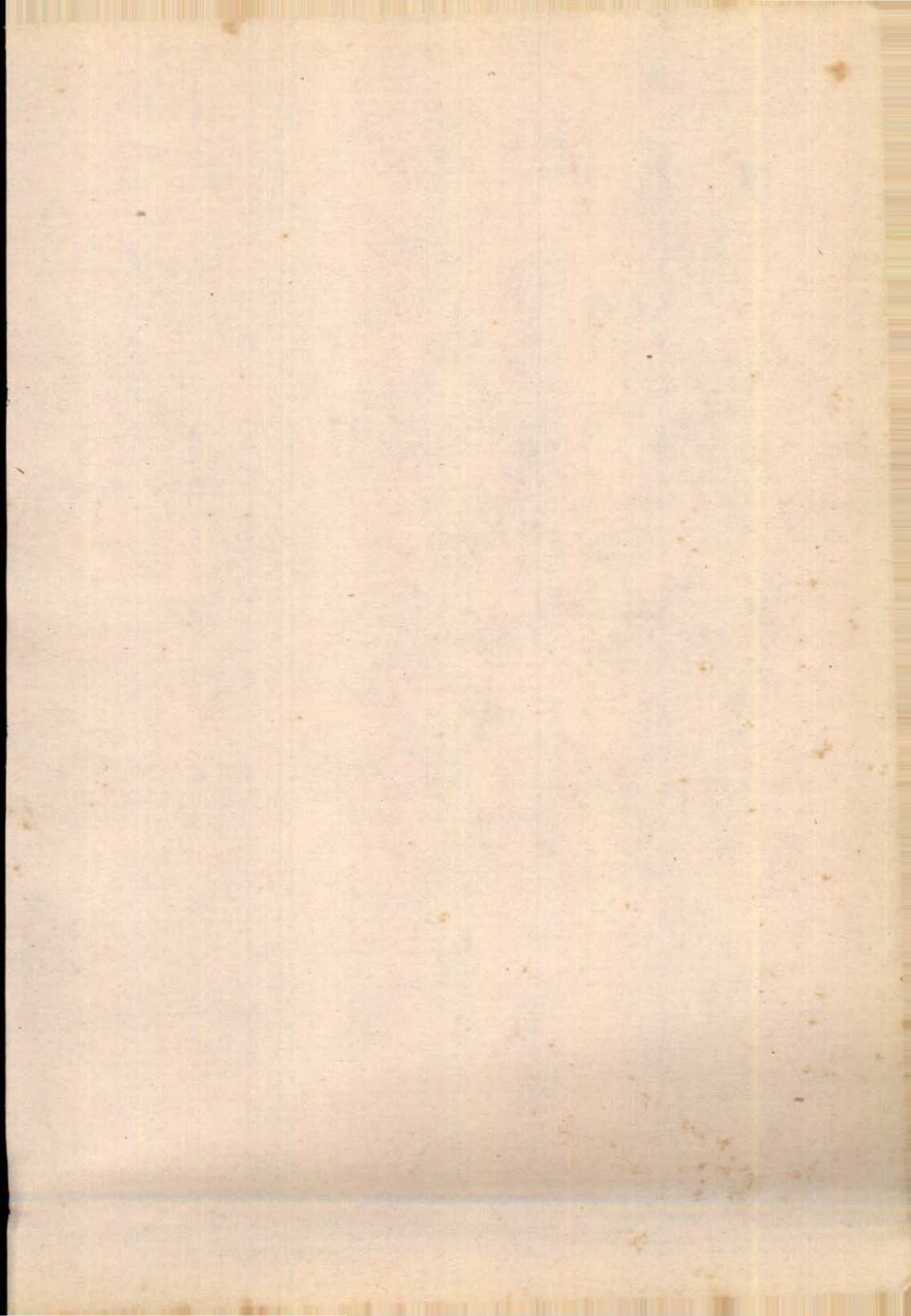
Tenders for the formation of Haripad branch canal from ch. 4703 m to 5585 m (estimated cost: Rs. 7.97 lakhs) and from ch. 5585 m to 6600 m (estimated cost: Rs. 7.52 lakhs) were invited thrice by the Superintending Engineer (SE) Pamba Irrigation Project Circle, Pathanamthitta (later shifted to Chengannur) between July 1980 and August 1981. As there was no response, quotations were invited in December 1981, fixing 4 p. m. on 6th January 1982 as the time limit for their receipt. Only one contractor 'A' responded within the prescribed time limit, his quoted rates being 35 per cent and 34.5 per cent respectively above the estimates for the two works.

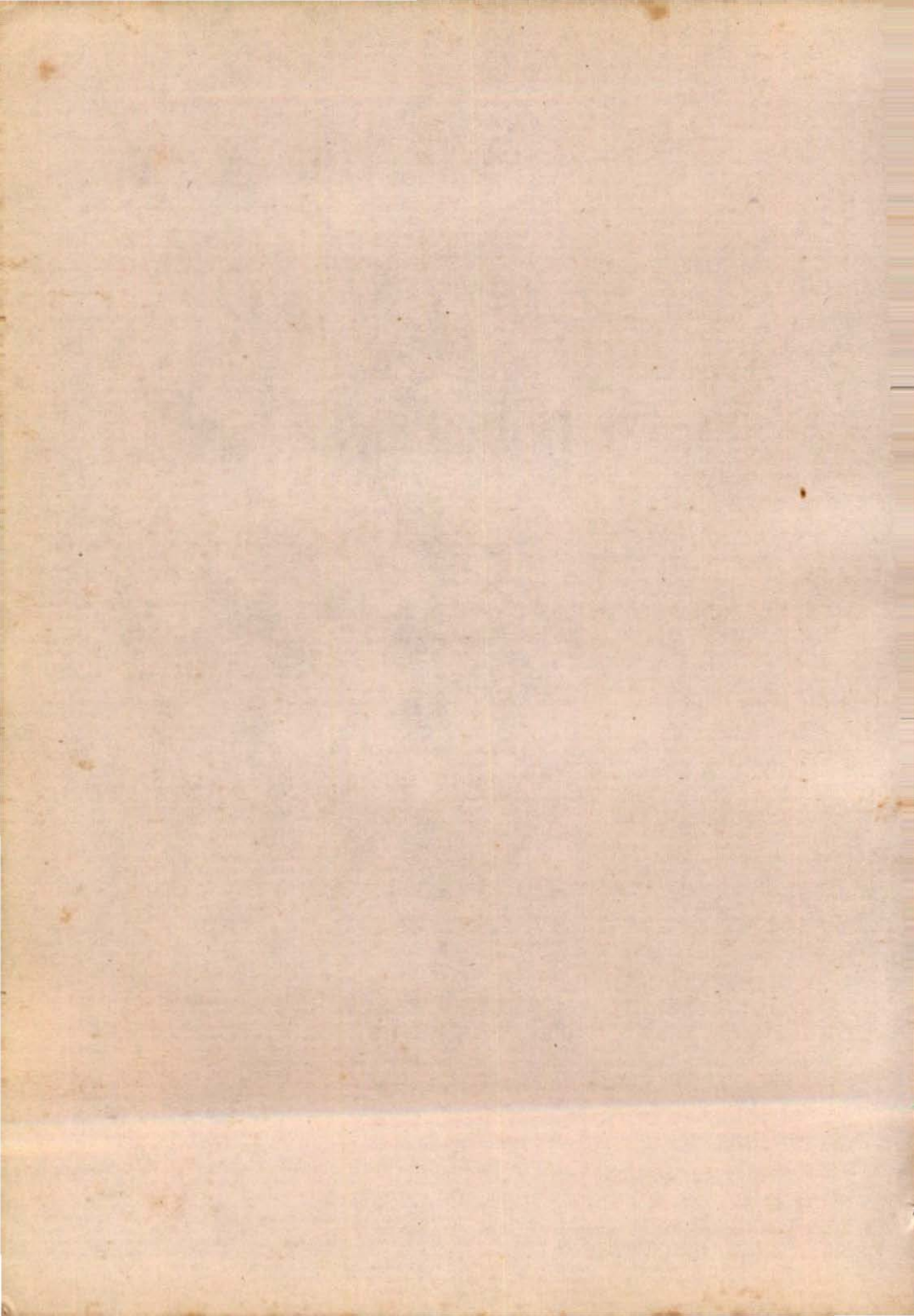
Quotations received on 6th January 1982 from another contractor 'B' were not opened by SE on the ground that they were received after the stipulated time. In February 1982, SE forwarded 'A's' quotations to the Chief Engineer (CE), recommending their acceptance. When the quotations were being processed, contractor 'B' complained (March 1982) to CE that though he had also submitted quotations within the stipulated time of 4 p.m. as shown by his watch, the officer concerned had noted the time of receipt as 4.05 p.m. as shown by the latter's watch. On a reference from CE, SE reported that there was no clock in his office and that the officer authorised to receive the quotations had noted the time according to his watch. In view of this dispute, CE directed SE in May 1982, to invite fresh tenders after cancelling the quotations already received. When fresh tenders were invited in May 1982, only 'B' responded, his quoted rate being 53 per cent above the estimate rate for each of the two works. The tenders were accepted by Government in December 1982 and the works awarded to 'B'. The works were completed in October 1984. The extra expenditure due to cancellation of the original quotations amounted to Rs. 1.85 lakhs. Confirming the facts mentioned above, Government stated (September 1985) that as there was no clock in SE's office at that time, the dispute raised by 'B' deserved consideration.

4.5. Undue benefit to contractors

During May—June 1983, eighty drought relief works were executed by the Minor Irrigation Division, Trichur at a total cost of Rs. 38.05 lakhs. These works consisted of earth work excavation to deepen *chiras* (ponds) and conveyance of the excavated earth. A test-check of 3 of these works revealed the following:—

The estimate of the works were prepared on the assumption that the excavated earth to the extent possible would be deposited on the banks within an initial lead of 50 metres and that the remaining cut earth estimated at 21 to 46 per cent of the earth work would be conveyed by head load up to a distance of 600 metres. Based on the estimate rates for (i) earth work excavation (including conveyance within the initial lead) and (ii) conveyance of the excess earth by head load up to 600 metres beyond the initial lead, the division derived, for tender purposes, a composite estimate rate for earth work including the entire conveyance. On the basis of tenders, two of the works were awarded to two contractors at a premium of 35 per cent each over estimates and the third to another contractor at a premium of 34 per cent, in May 1983. However, after award of the works, it was decided





to reduce the quantity of earth work in order to limit the expenditure within the allotment. As a result, the total quantity actually excavated fell short of the quantity estimated to be deposited within the initial lead itself in the case of 2 works while in the third work, the quantity deposited beyond the initial lead was very small, i.e., 459 cubic metres against 1200 cubic metres initially estimated.

Notwithstanding the non-execution of extra conveyance beyond the initial lead in two works and the huge reduction in the quantity for extra lead in the third work, the contractors were paid at the agreed composite rates without any proportionate reduction. This resulted in an undue benefit of Rs. 0.87 lakh to the contractors. Government stated (October 1985) that the excavated silt and other materials unfit for the formation of bunds could not be dumped within the periphery of the ponds and hence a major portion of the excavated earth had to be conveyed to, and dumped at, far-off places. It has, however, not been elucidated how the quantities to be dumped within the initial lead were estimated originally and why those quantities could not be so dumped.

4.6. Flood Control Works

4.6.1. Introduction

Flood control works involving construction of embankments, retaining walls, drainage channels, bed bars, permeable groynes, etc., are taken up with the objective of protecting thickly populated banks of rivers from the ravages of floods. Mention was made in paragraph 44 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Civil) about the history of flood control measures in the State and the shortcomings noticed in the execution of flood control works in 5 river basins. After considering the points mentioned in the paragraph, the Committee on Public Accounts 1982-84 in its nineteenth report (March 1983) expressed dissatisfaction over the non-preparation of a comprehensive and long range master plan for flood control works though suggested by Government of India in 1954. Government stated (October 1984) that proposal for preparation of a comprehensive basin-wise master plan was under consideration of Government. On a further audit review conducted during June-August 1985 with reference to records in the office of the Chief Engineer, Irrigation, 3 Irrigation Circles (Trivandrum, Trichur and Kozhikode) and 4 Irrigation Divisions (Trivandrum, Quilon, Trichur and Manjeri), the following points were noticed:—

4.6.2. *Target and achievement*

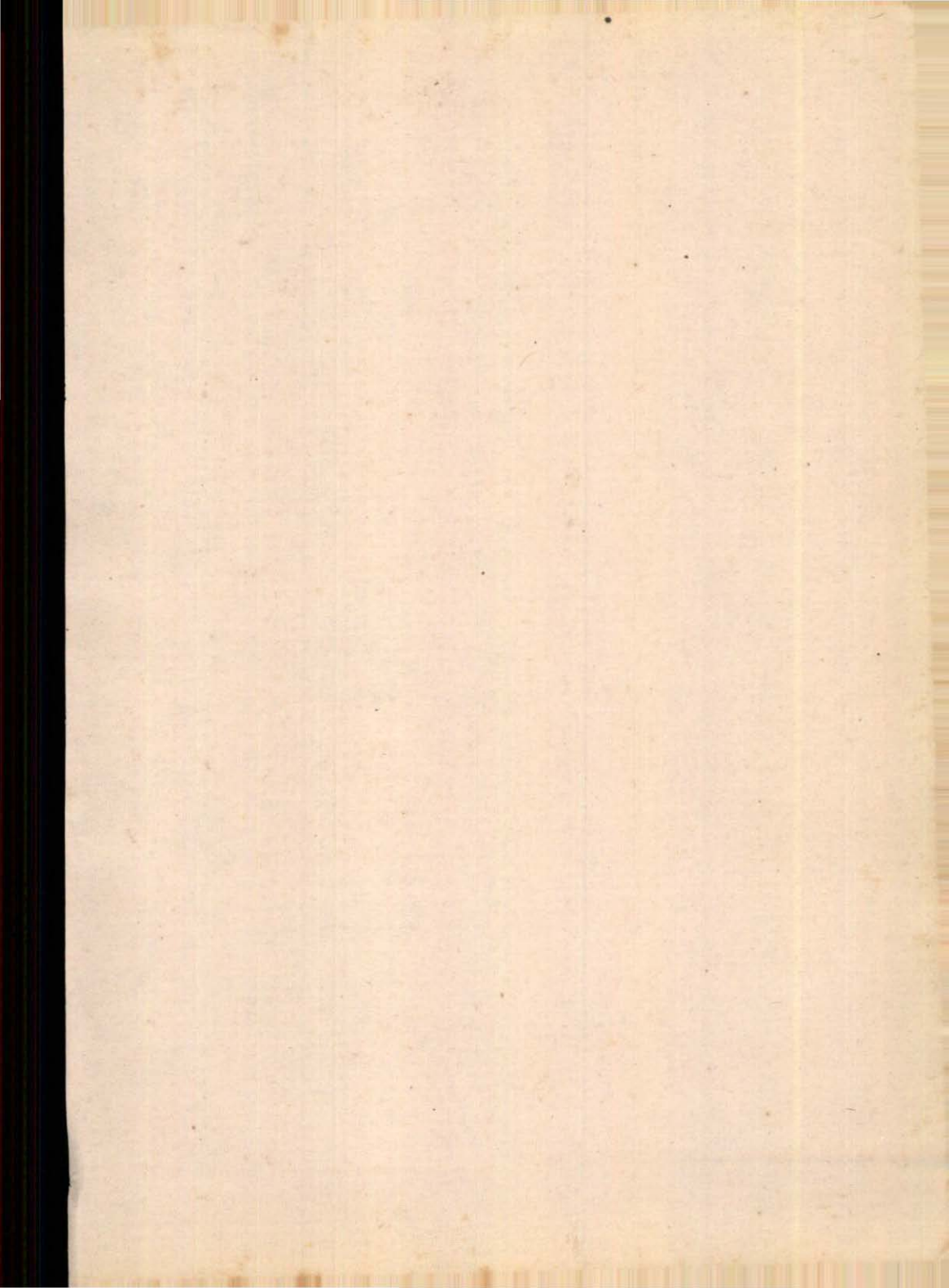
Till the end of March 1980, 67.28 km. of embankment and 6.80 km. of drainage channels were constructed incurring an expenditure of Rs. 6.65 crores to protect 15,723 hectares as part of flood control measures. During the Sixth Plan period, it was proposed to construct 12 km. of embankments and 7.50 km. of drainage channels to protect 5,935 hectares additionally. While the achievement in construction of embankments (17.78 km.) during the period from 1980-81 to 1984-85 exceeded the target, there was shortfall in drainage channels, the achievement being 6.33 km. The additional area protected during the period was 6,615 hectares. Expenditure incurred on flood control works during the period from 1980-81 to 1984-85 amounted to Rs. 10.81 crores (Revenue: Rs. 5.51 crores; Capital: Rs. 5.30 crores). Year-wise details of achievements and expenditure are given below:—

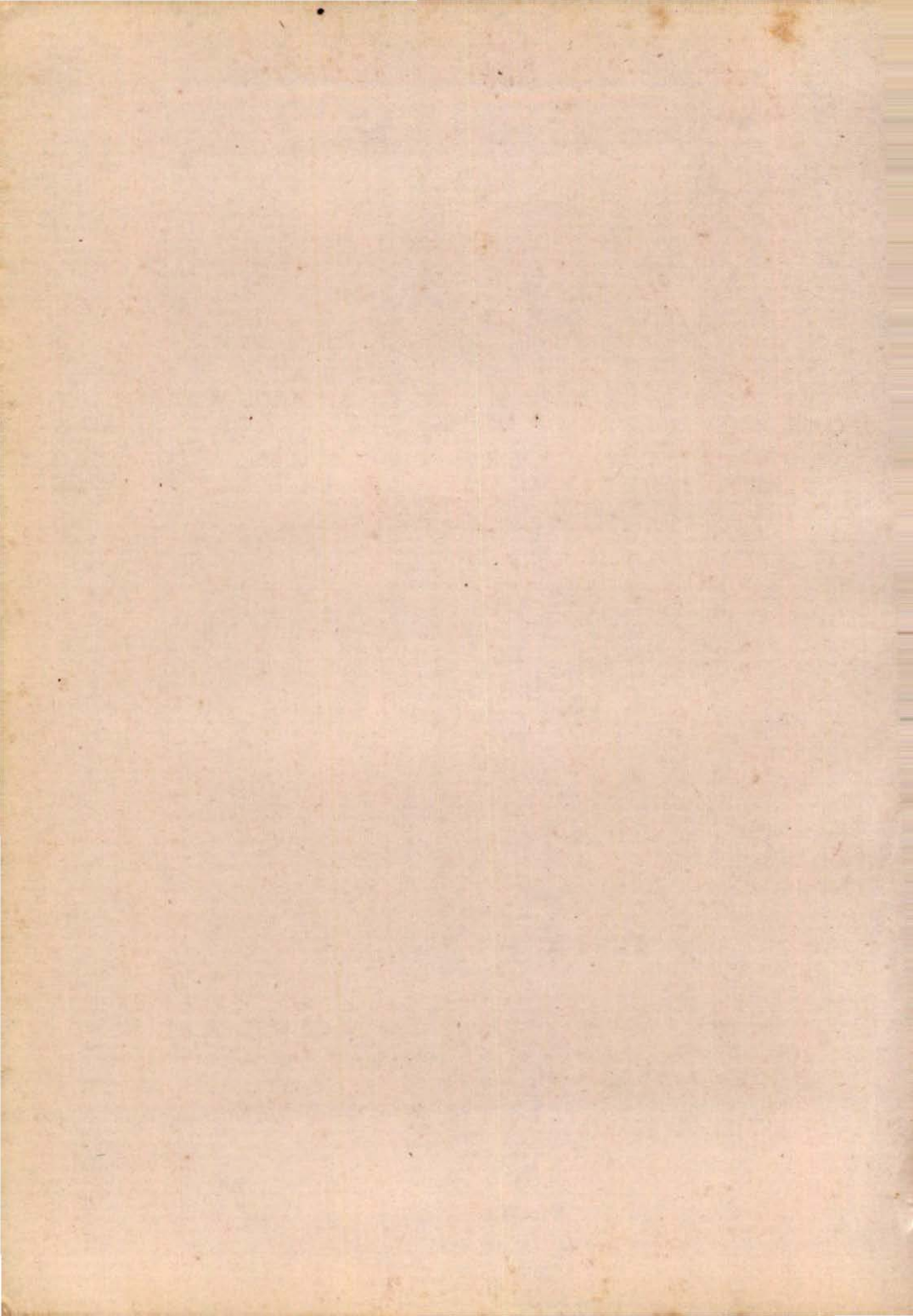
Year	Area benefited (in ha.)	Drainage channels (in km.)	Embankments (in km)	Expenditure	
				Capital (in lakhs)	Revenue (of rupees)
1980-81	1115	0.75	3.75	1,08.94	66.91
1981-82	1210	1.00	3.80	95.86	74.53
1982-83	1050	1.20	2.70	79.81	1,36.17
1983-84	1610	1.875	4.03	1,15.99	1,57.06
1984-85	1630	1.50	3.50	1,29.10	1,16.59
Total	6615	6.325	17.78	5,29.70	5,51.26

On account of inadequate flood control measures, flood damages continue to occur almost every year. According to a memorandum submitted by the State Government to the Government of India, the estimated loss to the economy due to floods during the years from 1980-81 to 1982-83 and 1984-85 was as under:—

Year	Damages to heuses		Damages to crops		Other items of loss (rupees in crores)	Total estimated loss (rupees in crores)	
	Number damaged and des- troyed	Estimated loss (rupees in crores)	Area affected (in thou- sand hectares)	No of trees Estimated loss (rupees in crores)			
1980-81	36,811	5.13	46.16	22,793	9.43	18.76	33.32
1981-82	15,116	0.54	27.46	6,81,147	7.57	26.26	34.37
1982-83	2,614	0.32	0.81	1,54,812	0.60	31.40	32.32
*							
1984-85	1,10,000	11.62	22.11	10,85,455	9.00	1,24.64	1,45.26

*During 1983-84, there were no damages due to floods.





4.6.3. *Works at a standstill*

Four works taken up for execution by three divisions between December 1971 and July 1983 were at a standstill (July 1985) for various reasons as indicated in the following table:—

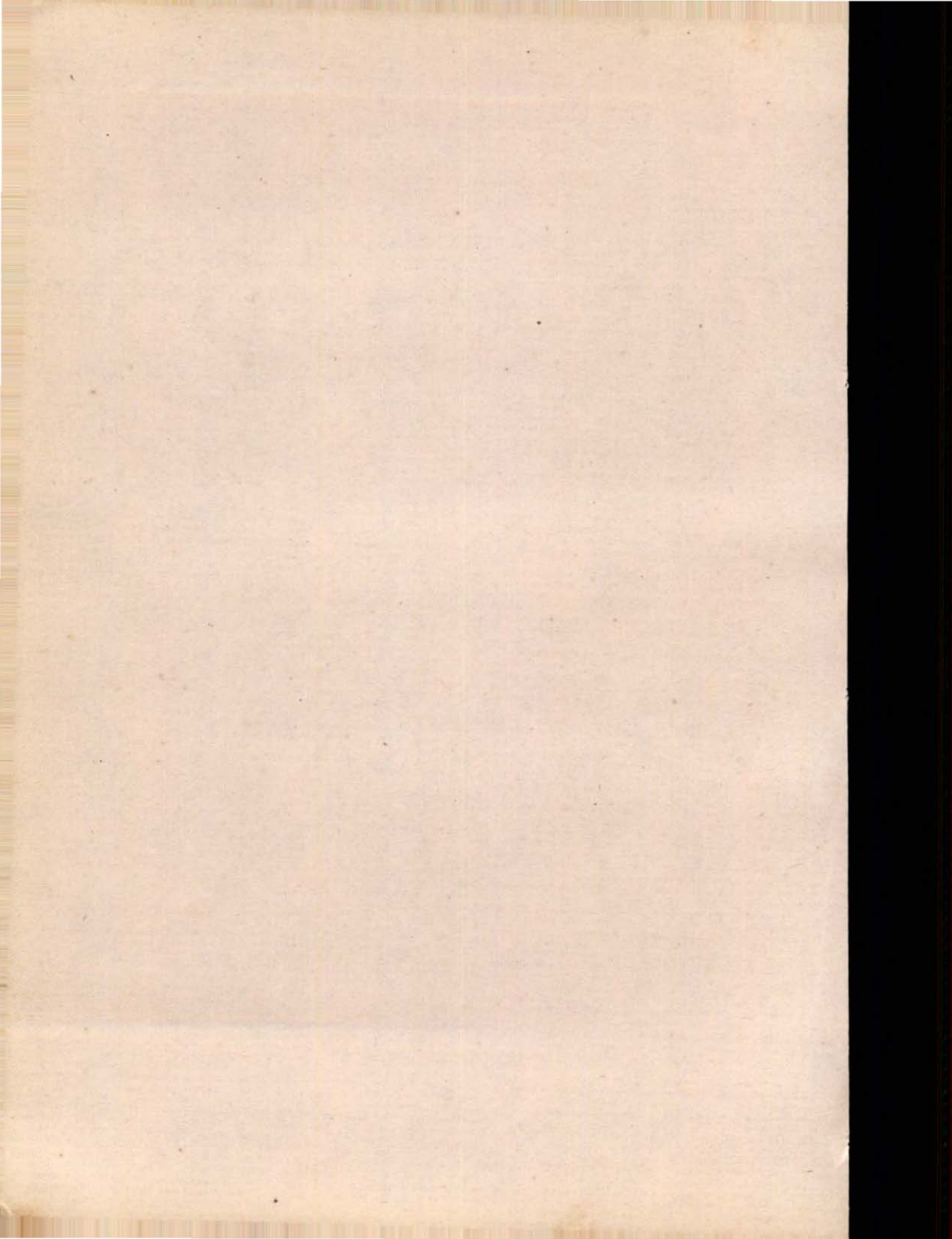
<i>Name of division and work (and estimated cost)</i>	<i>Uptodate expenditure (in lakhs of rupees)</i>	<i>Progress of execution and present stage of work (July 1985)</i>
<p>Quilon</p> <p>1. Construction of cut at Onambalam for diverting flood waters from Chittumalachira in East Kallada (Rs. 24.75 lakhs)</p>	8.05	<p>The work was administratively sanctioned by Government in February 1974. It was technically sanctioned by the Superintending Engineer for Rs. 25.52 lakhs in June 1976. Part of the work comprising four out of seven components estimated to cost Rs. 20.02 lakhs was awarded to a contractor in January 1977. As the contractor discontinued the work after carrying out a small portion, the contract was cancelled in January 1979 at the contractor's risk and cost. The arbitrator, however absolved him of the liability for the balance work. Another contract settled in December 1979 for the balance work was also cancelled in October 1982 owing to contractor's slackness in execution. The remaining work has not been arranged.</p> <p>Design for a bridge (estimated cost: Rs. 1.62 lakhs) forming part of the work is still to be finalised.</p>

<i>Name of division and work (and estimated cost)</i>	<i>Uptodate expenditure (in lakhs of rupees)</i>	<i>Progress of execution and present stage of work (July 1985)</i>
2. Providing protective works to the right bank of Pamba river near Parumala Devaswom College and upstream of Parumala river (Rs. 10.54 lakhs)	3.80	Work was awarded to a contractor in March 1983. It was started in July 1983. The initial levels for earth work were submitted by the Executive Engineer only in March 1985 and had not been approved by the Superintending Engineer owing to certain discrepancies therein which are still to be rectified. As a result, the work could not be proceeded with and is at a standstill from January 1984.

Trichur

3. Enamakkal regulator- Fabrication of shutters (Rs. 42 lakhs)	18.54	Shutters of Enamakkal regulator commissioned in 1962 had deteriorated by 1973. One of the shutters broke down in December 1979. In March 1983, the contract for fabrication and erection of 16 shutters was awarded to a contractor, stipulating the date of completion as September 1984. Out of the 16 shutters, 5 were erected till May 1984. The remaining shutters could not be erected owing to non-availability of the required mild steel materials in local market. On account of delay in completion of mechanical works, ring bunds had to be put up every year to prevent entry of
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salt water into the kole * fields'. Expenditure incurred on this account since September 1984 (stipulated date for completion of mechanical works) amounted to Rs. 0.81 lakh. Further, a sum of Rs. 1.34 lakhs had also been spent during the period for preventing leakage of the regulator.

Manjeri

4. Formation of new cut connecting Keeranallur and Pooraparamba including construction of regulator across the cut
(Rs. 48.50 lakhs)

43.90

(i) The work on 'new cut' commenced in December 1971 had not been completed. After formation of cut for a length of 896 metres out of a total length of 966 metres, the contractor to whom the work was awarded (December 1971) stopped it in May 1975.

In the estimate for the work there was a lumpsum provision for constructing a foot bridge across the new cut. Contract for the construction of foot bridge was awarded to a contractor in March 1981 for Rs. 4.38 lakhs. The piles for formation of bridge were to be conveyed to the site of the bridge over a distance of 1.5 km. from the place of their casting. Though the agreement made with the

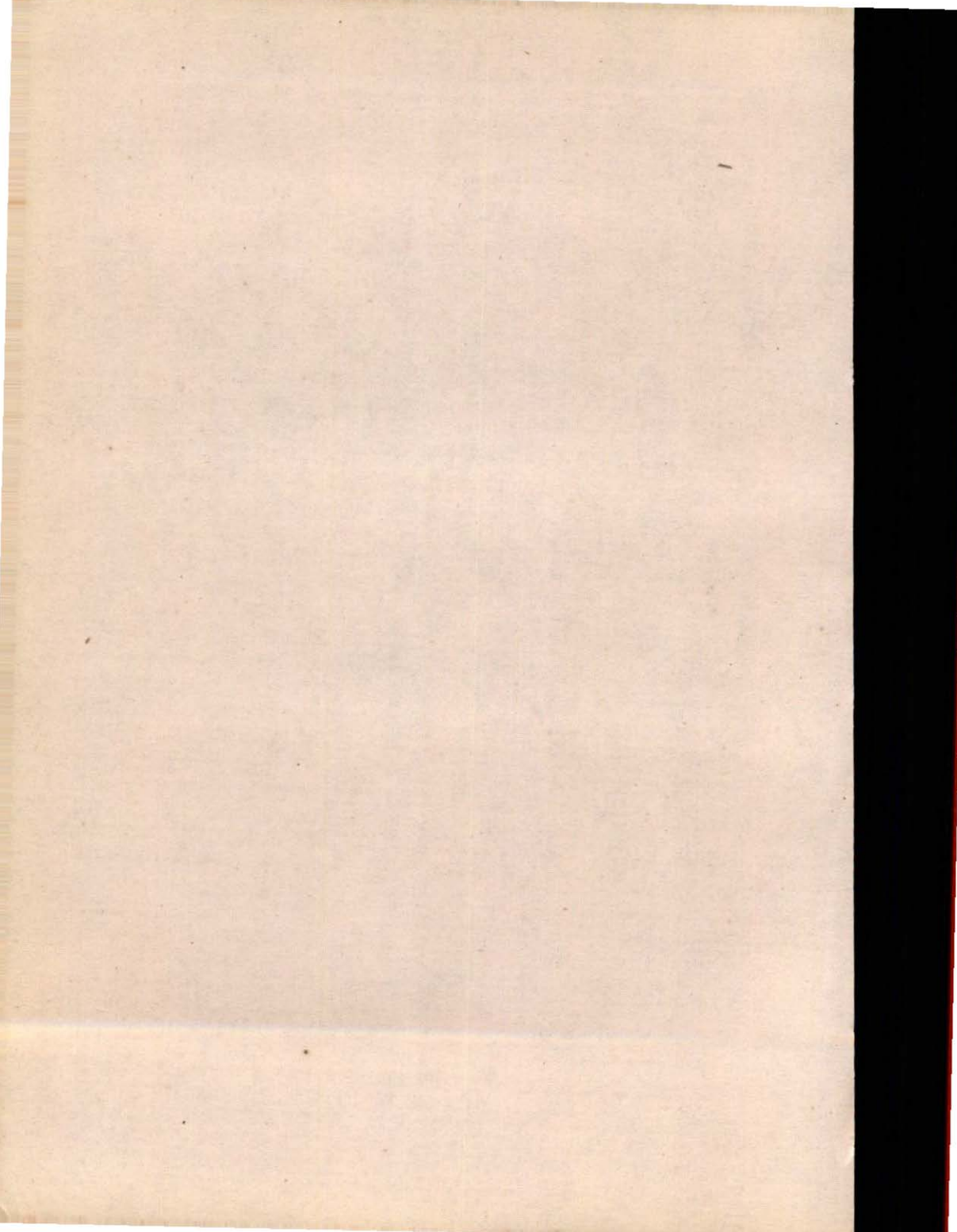
*Name of division and work
(and estimated cost)*

*Uptodate
expenditure
(in lakhs of
rupees)*

*Progress in execution and present
stage of work
(July 1985)*

contractor provided for conveying, lifting, hoisting and fixing 560 metre length of piles from the place of casting to the pile driving plant, the contractor did not commence the work on the plea that the distance involved in the conveyance had not been specified in the agreement. The contract was terminated in January 1983 at the risk and cost of the contractor. The work on construction of the foot bridge was yet to be rearranged. Pending construction of the foot-bridge, the balance portion of the work on a new cut also could not be arranged.

(ii) Work on construction of a regulator (estimated cost: Rs. 16.3 lakhs) which was commenced in October 1972 had not yet been completed. Expenditure on the work to the end of March 1985 was Rs. 7.65 lakhs. As per the original design, abutments and 9 piers of the regulator were to be founded on RCC piles. On account of difficulties in driving down piles, pile foundation envisaged for 4 piers on the right side was changed to open foundation. As a result, 88 main piles and 312 cut piles had become surplus. As the contractor abandoned



*Name of division and work
(and estimated cost)*

*Uptodate
expenditure
(in lakhs of
rupees)*

*Progress in execution and present
stage of work
(July 1985)*

the work before completing even the foundation work, his contract was terminated in May 1975. An arbitration award absolved him of liability for the balance work. Though the remaining work was awarded to another contractor in December 1976, he too did not complete the work on account of certain changes in design. He was relieved from the contract in March 1981 without any liability. In March 1981, the department again changed the design so as to have fabricated beams instead of RCC beams. Though the contract for the supply of beams was awarded in July 1982, the beams had not been supplied yet. Order for supply of steel shutters had been placed with another firm in February 1981. Though the firm supplied embedded parts of the shutters in August 1981, they could not be fitted as the gaps left in the piers to accommodate them were too small. Work for modifying the piers awarded to a contractor in April 1982 for Rs. 3.53 lakhs is yet to be started. Meanwhile the contractor for the shutters had suggested (November 1984) a change in their design. Final decision was not yet taken (July 1985)

4.6.4. *Adoption of incorrect rate for estimate purposes*

While preparing estimates for flood control works in Kurumali river between 6/0 and 7/0 at Mulangu in June 1981, the estimate for supplying and stacking blasted rubble 20 to 40 dm³ size was prepared with reference to 1980 schedule of rates adopting the rate of Rs. 21 per cubic metre instead of the correct rate of Rs. 21 per 10 cubic metres for stacking charges. The same mistake was repeated while revising the estimate in 1983 based on the 1982 schedule of rates. The work was awarded (November 1982) at a tender premium of 35 *per cent* above the estimate (which was prepared adopting the incorrect data) and it was completed in June 1984. Excess payment made to the contractor till July 1985 due to adoption of incorrect rate for estimate amounted to Rs. 1.02 lakhs.

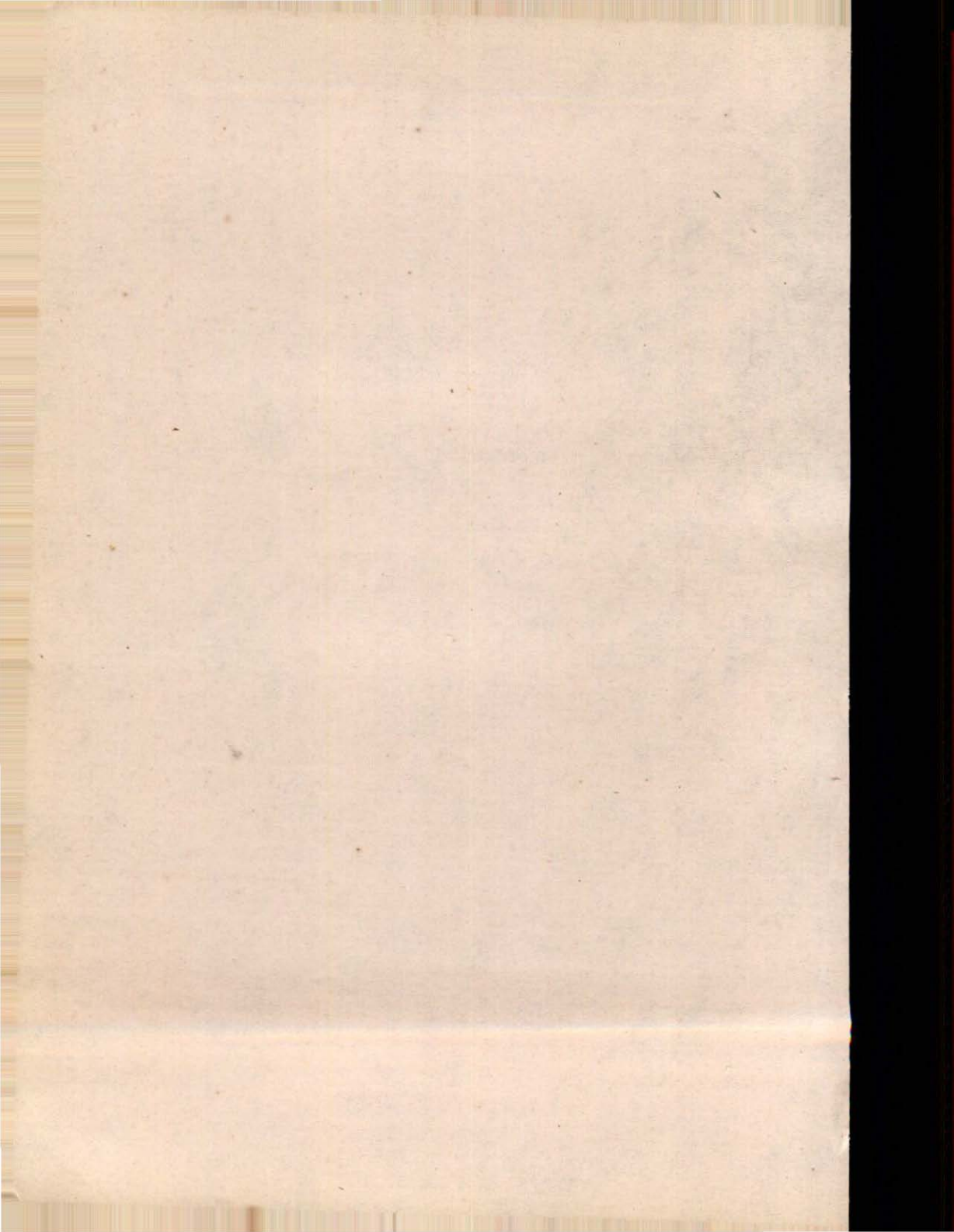
4.6.5. *Extra expenditure due to delay in acceptance of tenders*

In October 1982, the Executive Engineer, Irrigation Division, Quilon invited tenders for protective works on (i) the right bank of Achencoil river in survey No. 5537 and 5541 in Pallipad village (estimated cost: Rs. 1.03 lakhs) and (ii) on the left bank of Achencoil river in Survey No. 4586 and 4587 in Cherutana village (estimated cost: Rs. 0.90 lakh). Lowest rates for both the works were quoted by one and the same contractor, his rates being 11.75 *per cent* below estimate for the first work and 10 *per cent* below estimate for the second work. The firm period for the tendered rates was upto 19th February 1983. However, the acceptance of tenders was intimated to the contractor by the Executive Engineer only in March 1983. The contractor refused to undertake the works at his quoted rates as their validity period had expired. The works were, therefore, retendered in September 1983. The lowest tenders for both the works were received from one and the same tenderer. His tenders (15 *per cent* above estimate for both the works) were accepted and the works awarded to him for completion by June 1984. The first work was completed in March 1985 and the second in January 1985. The extra expenditure due to non-acceptance of the lowest tenders in time on the first occasion and award of works at higher rates on retender worked out to Rs. 0.48 lakh.

4.6.6. *Non-acceptance of tenders within the validity period*

In the case of two works, non-acceptance within the validity period of tenders received in first tender call on account of delay in according administrative sanction to the work, necessitated retender and award of the works later at higher rates, as indicated in the following table:—





<i>Name of work, month of tender and estimated cost</i>	<i>Rate quoted in first tender call</i>	<i>Date of expiry of firm period of the first tender call</i>	<i>Date of administrative sanction</i>	<i>Month of tender call based on which the work was finally arranged (and percentage of tender premium)</i>	<i>Estimated extra expenditure (in lakhs of rupees)</i>
1. Protective work to right bank of Achencoil river between Chankorkadavu and Kavalankadavu; October 1980;	19 <i>per cent</i> above estimate	9th March 1981	3rd April 1981	(A) September 1983 (25.6)	2.20
Rs. 5.96 lakhs.					
2. Protecting the eroded river bank of Pamba river in Ayroor Panchayat November 1980	17 <i>per cent</i> below estimate	11th February 1981	May 1981	October 1981 (23)	1.81
Rs. 4.87 lakhs					

(A) The estimate was revised to Rs. 7.70 lakhs in September 1982 following revision of the schedule of rates from July 1982. Though the work was retendered in September 1982, there was no response. Hence the further tender call in September 1983.

4.6.7. *Escalation in cost on account of delay*

An estimate of Rs. 3.57 lakhs was prepared by Irrigation Division, Quilon in November 1980 for 'protecting the left bank of Manimala river for a length of 500 m upstream of Mallappally bridge'. In the estimate, there was provision for construction of a retaining wall for a length of 500 m. When the proposal for the work with a key map of its location was submitted (October 1981) to the flood control technical advisory committee (FCTAC) for approval, the Committee pointed out (October 1981) that the retaining wall was indicated on the wrong side in the key map and desired a restudy. In July 1982 the division forwarded the correct key map to the Superintending Engineer (SE) for getting the approval of the FCTAC. As the schedule of rates had been revised in the meantime with effect from 1st July 1982, SE revised (January 1983) the estimate to Rs. 4.40 lakhs. The work was approved by FCTAC in January 1983. It was awarded to a contractor in October 1983 at 8.5 per cent above the estimate rate. Anticipating sanction to the work, provision for it was made in the budget for each year from 1980-81 to 1982-83, but could not be utilised on account of the delay in sanctioning the estimate and arranging the work. The estimated cost of the work also increased by Rs. 0.83 lakh.

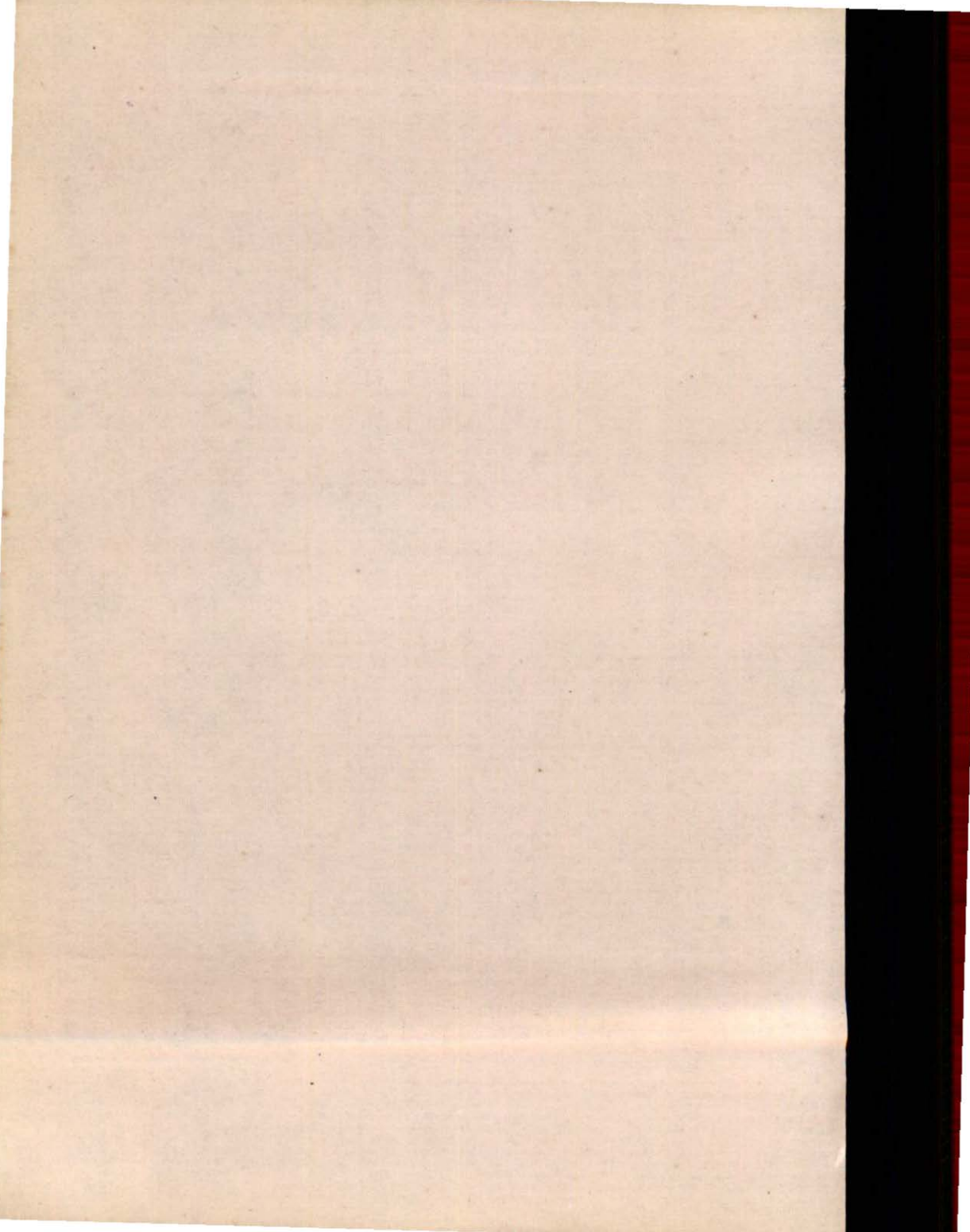
4.6.8. *Delay in commencement of work owing to delay in land acquisition*

A proposal made by Irrigation Division, Quilon to protect the right bank of Achencoil river at Pathanamthitta (estimated cost: Rs. 42 lakhs) to prevent annual damages (estimated value: Rs. 65 lakhs) was approved by FCTAC in January 1983. The work was sanctioned by Government in September 1983 and technically approved by the Chief Engineer in December 1983. The estimate for the work contained a provision of Rs. 10.95 lakhs for acquisition of 15 acres of land. Though requisition for land acquisition was sent by the division in May 1984/February 1985, it was not followed up thereafter. The land is yet to be acquired. As a result, the work could not be started and the provision for the work made in the budgets for 1982-83 (Rs. 0.11 lakh), 1983-84 (Rs. 0.20 lakh) and 1984-85 (Rs. 1 lakh) lapsed and the river bank continues to remain exposed to the risk of floods.

Summing up

The loss arising from damage caused by floods during the period 1980-81 to 1982-83 and 1984-85 was estimated at Rs. 245.27 crores.

Four works (estimated cost: Rs 1,25.79 lakhs) taken up by three divisions between December 1971 and July 1983 and on which Rs. 74.29 lakhs had been spent were at a standstill.



In the case of a flood control work in Kurumali river, adoption of incorrect rate for estimate resulted in excess payment of Rs. 1.02 lakhs till July 1985.

Extra expenditure of Rs. 0.48 lakh had to be incurred on two protective works on the banks of Achencoil river on account of non-acceptance of the lowest tenders in time.

Delay in according administrative sanction necessitated retender and award of 2 works at higher rates resulting in an extra expenditure of Rs. 4.01 lakhs.

On account of defective preparation of a key map pertaining to a protective work on Manimala basin, the provision made during the years 1980-81 to 1982-83 could not be utilised, necessitating revision of estimate by Rs. 0.83 lakh.

A protective work at Pathanamthitta costing Rs. 42 lakhs approved in January 1985 could not be started, owing to delay in land acquisition.

The matter was reported to Government in September 1985; their reply is awaited (December 1985).

HOME DEPARTMENT

4.7. Delay in construction of a building

In August 1973, Government sanctioned construction of a mess building-cum-conference hall for Police Training College, Trivandrum at an estimated cost of Rs. 2.80 lakhs. Tenders for the work were invited thrice by the Superintending Engineer, Buildings and Roads, South Circle, Trivandrum between June 1974 and May 1976, but there was no response. After revision of the estimate to Rs. 4.10 lakhs on the basis of 1974 schedule of rates, the work was put to tender again in May 1976. Only one contractor responded, his quoted rate being 65 *per cent* above estimate. The rate was subsequently reduced by 6 *per cent* on negotiation. As this offer was not acceptable to Government, negotiations were made with the Kerala State Construction Corporation Limited., a State Government Company, and the work awarded to it in November 1976 at its quoted rate of 50 *per cent* above estimate rate less cost of departmental materials.

The work was commenced by the Corporation in January 1977. After executing work worth Rs. 2.82 lakhs, the Corporation abandoned the work in

July 1979 on the ground that necessary steel items were not made available to it as agreed.

The Director General of Police stated (February 1985) that the balance work left unfinished would be resumed by the Corporation itself at 100 *per cent* above estimate rate. Further developments are awaited (July 1985).

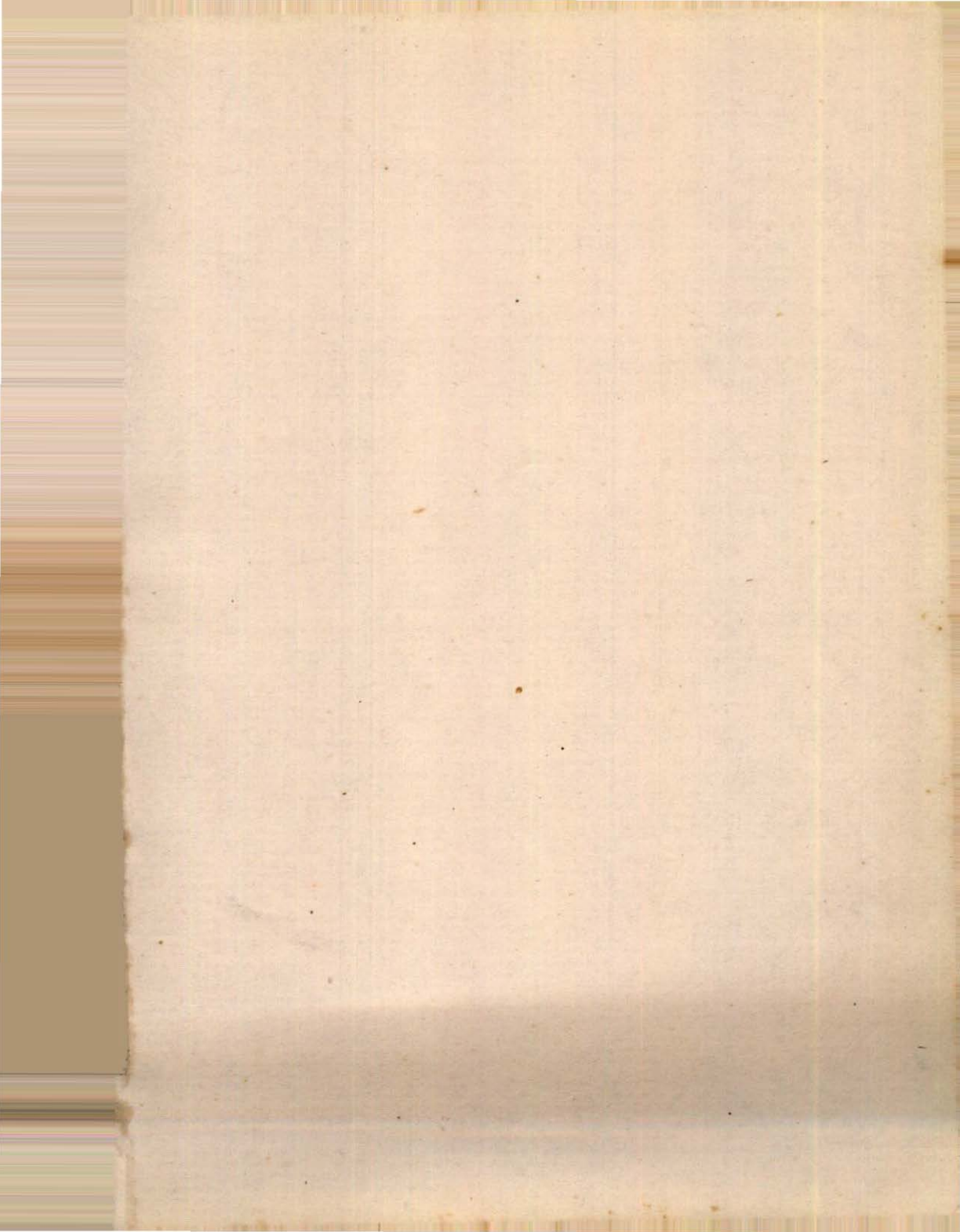
Owing to the failure of the department to ensure timely supply of steel items, the work (on which Rs. 2.82 lakhs had been spent) was at a standstill for over 6 years. The resultant extra liability will be known only when the balance work is completed.

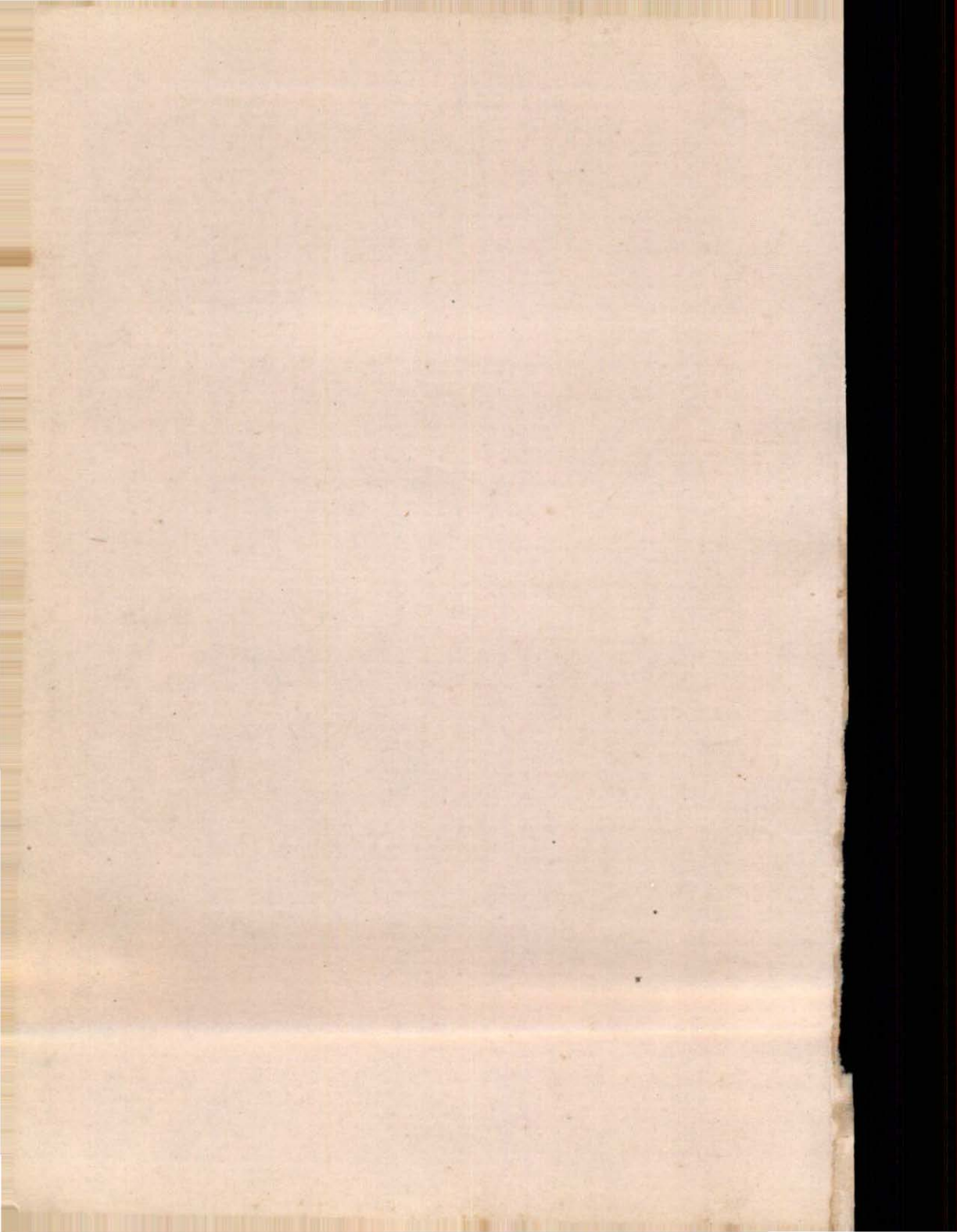
The matter was reported to Government in July 1985; their reply is awaited (December 1985).

4.8. Extra expenditure due to delay in acceptance of quotation

The construction of a permanent building for the first Fire Station at Changanacherry, at an estimated cost of Rs. 7.64 lakhs was sanctioned by Government in December 1979. When tenders for the work were invited in May 1980 by the Superintending Engineer (SE), Buildings and Roads South Circle, Trivandrum, there was no response. On retender in July 1980, two quotations with a premium of 95 *per cent* and 99 *per cent* above the estimate were received. As the rates quoted were considered exorbitant, the tenders were not accepted. The Executive Engineer (EE), Medical College Division Kottayam, who was in charge of the work obtained (November 1980) from another contractor a negotiated quotation at 74.5 *per cent* above the estimate and forwarded (December 1980) it to SE. Though the latter forwarded it to Chief Engineer (CE) on 14th January 1981, it was returned to him by CE on 15th February 1981 for rectification of certain defects. SE retransmitted the quotation on 2nd March 1981 to CE who in turn forwarded it to Government on 3rd April 1981 for acceptance. Sanction to accept the quotation was accorded by Government on 22nd June 1981. In the meantime, the contractor had informed (May 1981) EE of his inability to execute the work at his quoted rate which had been offered about 6 months earlier. As a result, the work could not be awarded to him. It was, however, seen that (i) no firm period was specified in his quotation and (ii) SE, while forwarding the quotation to CE, had indicated that the quotation being a negotiated one had no firm period.

After revision of the estimate to Rs. 9.70 lakhs, on the basis of 1980 schedule of rates, the work was again retendered in February 1982 and awarded





to the only tenderer at 79 *per cent* above the revised estimate. The work was completed in March 1984.

Extra expenditure due to delay in acceptance of the offer of November 1980, worked out to Rs. 3.47 lakhs.

Confirming the facts mentioned in the paragraph, Government stated (October 1985) that in the absence of a firm period the contractor was free to withdraw his offer at any time and that the Public Works Department made only an attempt to get the work done on the basis of his quotation. The circumstances in which a negotiated quotation without specifying a firm period was obtained by EE and processed at higher levels have not, however, been clarified.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.9. Extra expenditure

Construction of a building for the "Centre for Respiratory Allergy and Antigen Manufacture" (estimated cost: Rs. 5.23 lakhs) in the premises of the hospital for chest diseases, Pulayanarkottah, Trivandrum was sanctioned by Government in February 1979. Tenders for the work were invited in December 1979. The work was awarded in April 1980 to the only tenderer at 44 *per cent* above estimate rate, fixing the date of completion as April 1981. In August 1980, the Director of Health Services recommended to Government, the shifting of the construction to another site in the same premises on the ground that the original site, apart from being close to the administrative block, was full of mahogany, sandalwood and other precious trees. The proposal to change the site was accepted by Government in October 1980. A revised plan to suit the new site was finalised by the department in January 1981. The contractor, who was directed to commence the work demanded (June 1981) enhanced rates (88 *per cent* above estimate rate). The department turned it down and cancelled the contract in August 1981. Though the contractor had not done any work, he did not return 310 bags (cost : Rs. 0.07 lakh) of cement issued to him. Its cost though transfer debited to another work entrusted to the same contractor was yet to be recovered at penal rates (October 1985).

After revising the estimate to Rs. 8.19 lakhs based on 1980 schedule of rates, fresh tenders were invited in April-June 1982. Only one contractor responded, his quoted rate being 81 *per cent* above estimate rate. This was

accepted by Government in September 1982 and the work awarded to him, stipulating the period of completion as 24 months. The work is yet to be completed (November 1985). Injudicious selection of site in the first instance thus resulted in an extra expenditure of Rs. 3.76 lakhs, apart from delay in construction of the building.

Confirming the above facts, Government stated (October 1985) that the change of site was made as requested by the Director of Health Services.

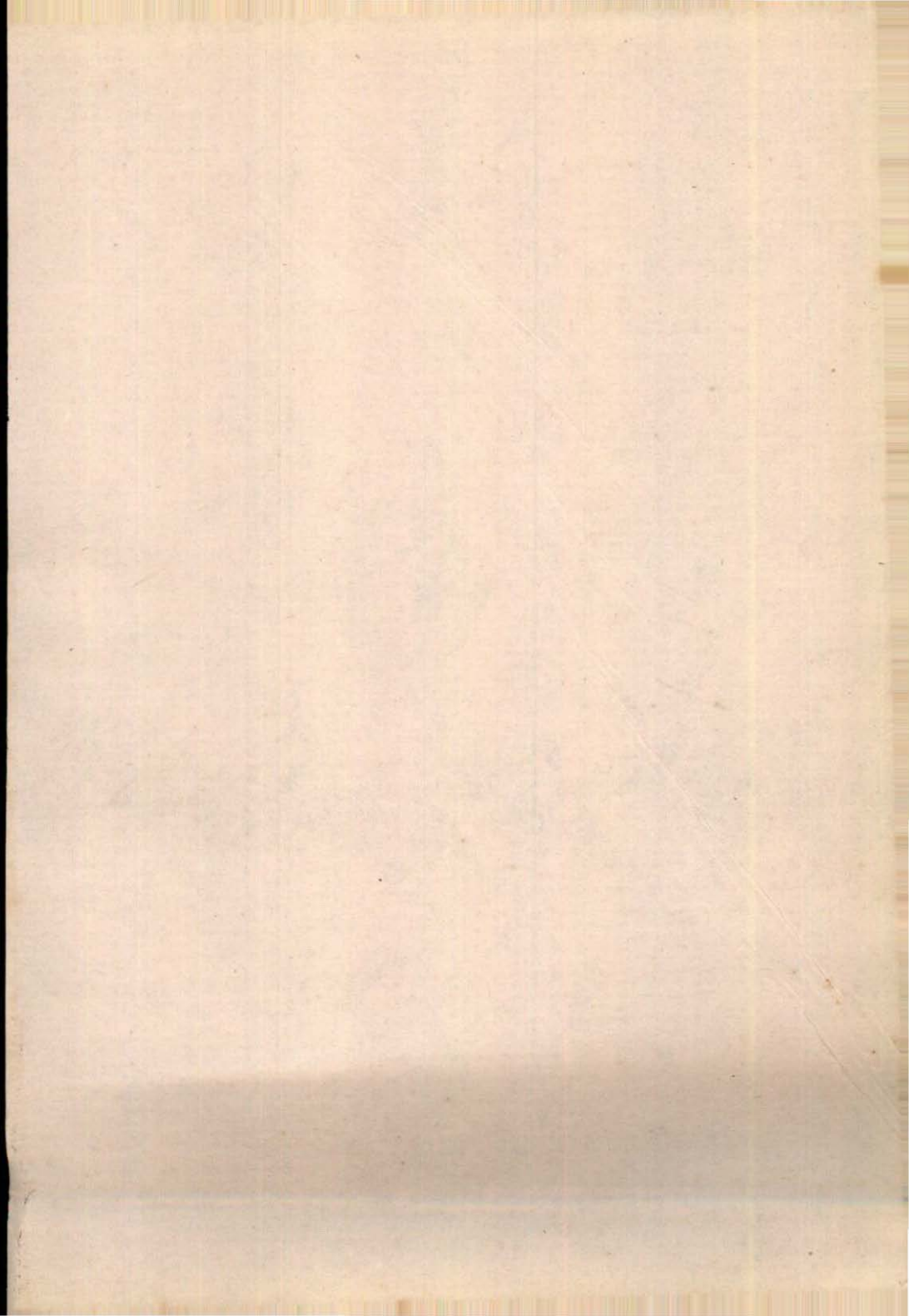
GENERAL

4.10. Cash Settlement Suspense Account

The cost of services rendered or supplies made by one division to another is accounted for under a suspense head called 'Cash Settlement Suspense Account' by the originating division, pending settlement of the claim by the receiving division. The rules require that the transactions of a month should be communicated by the originating division to receiving division at the time of closing the account for the month and that the latter division should, within 10 days of receipt of the claim, settle it by the issue of a cheque/demand draft.

A review of the balances under this account at the end of March 1985 relating to 91 divisions (information was awaited from the remaining 48 divisions) showed that the claims remaining unsettled amounted to Rs. 41,72.68 lakhs, the department-wise break-up being as follows:—

<i>Sl. no.</i>	<i>Department</i>	<i>Number of divisions</i>	<i>Amount (in lakhs of rupees)</i>
1.	Public Works		
	Buildings and Roads	23	4,44.31
	National Highways	5	33.51
2.	Irrigation		
	Irrigation (including district stores)	20	30,64.67
	Projects	35	5,50.43
	Minor Irrigation	8	79.76
	Total	91	41,72.68



In Buildings and Roads Division, Manjeri and 10 District Stores the balance outstanding at the end of March 1985 exceeded Rs. 1 crore each. The heaviest balance of over Rs. 7 crores pertained to District Stores, Calicut. Details of subsequent settlement of transactions furnished by 57 out of 91 divisions showed that out of Rs. 20,24.35 lakhs outstanding in these divisions as at the end of March 1985, only Rs. 2,93.88 lakhs had been settled up to 30th June 1985, leaving a balance of Rs. 17,30.47 lakhs. The remaining 34 divisions with an outstanding balance of Rs. 21,48.33 lakhs as on 31st March 1985 have not furnished the details of subsequent settlement of the claims.

An analysis of the balances outstanding in 6 divisions indicated that the main reasons for their pendency were (i) delay on the part of the responding divisions to make payments for want of funds/letter of credit, (ii) delay in verification of claims, (iii) disputes about the claims etc., as shown in Appendix 4.5.

Non-clearance of balance under 'Cash Settlement Suspense Account' may result in non-detection of cases of misappropriation or unauthorised or irregular transfer of materials besides enabling the divisions receiving the materials to circumvent budgetary constraints.

CHAPTER V

STORES AND STOCK

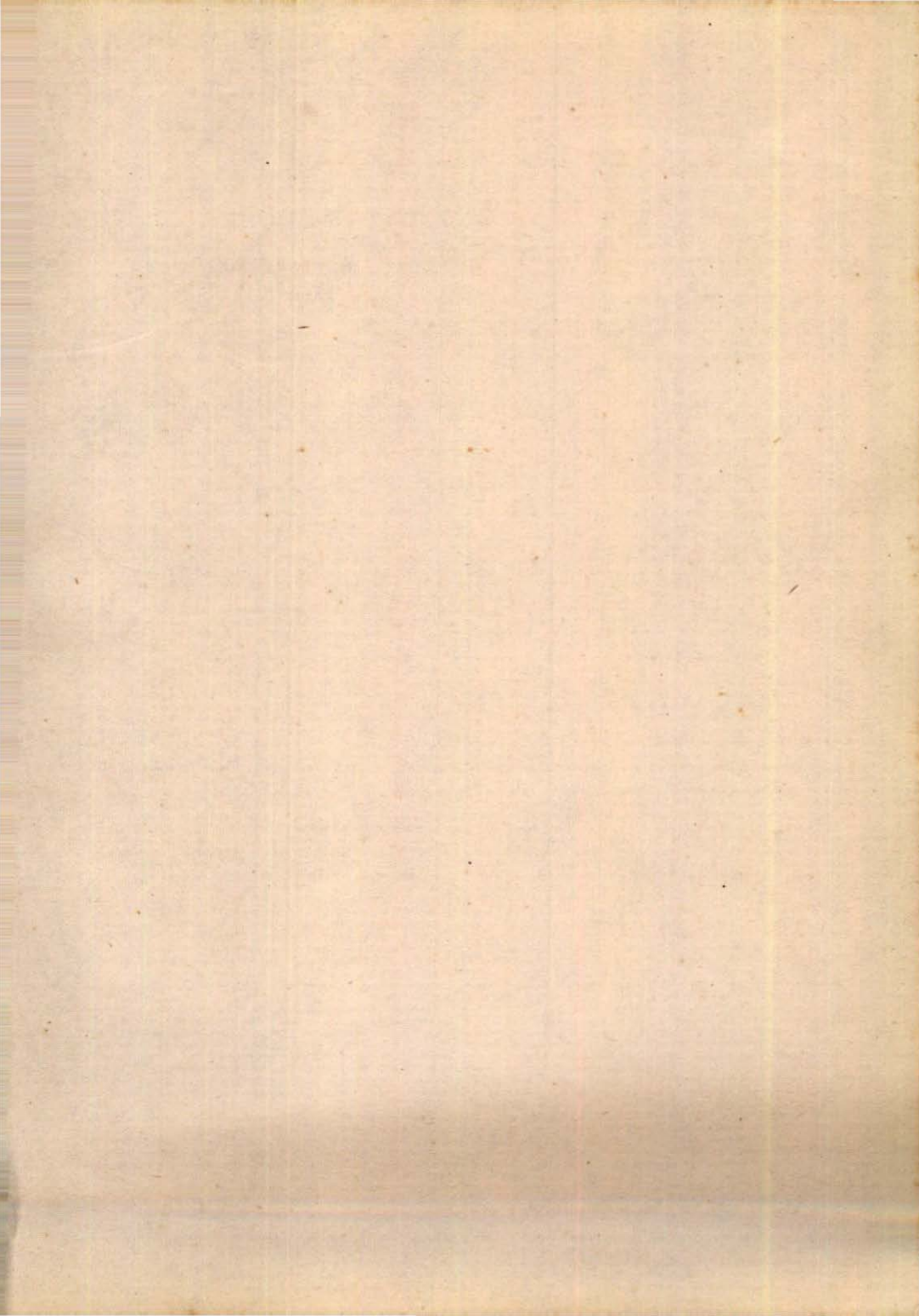
IRRIGATION DEPARTMENT

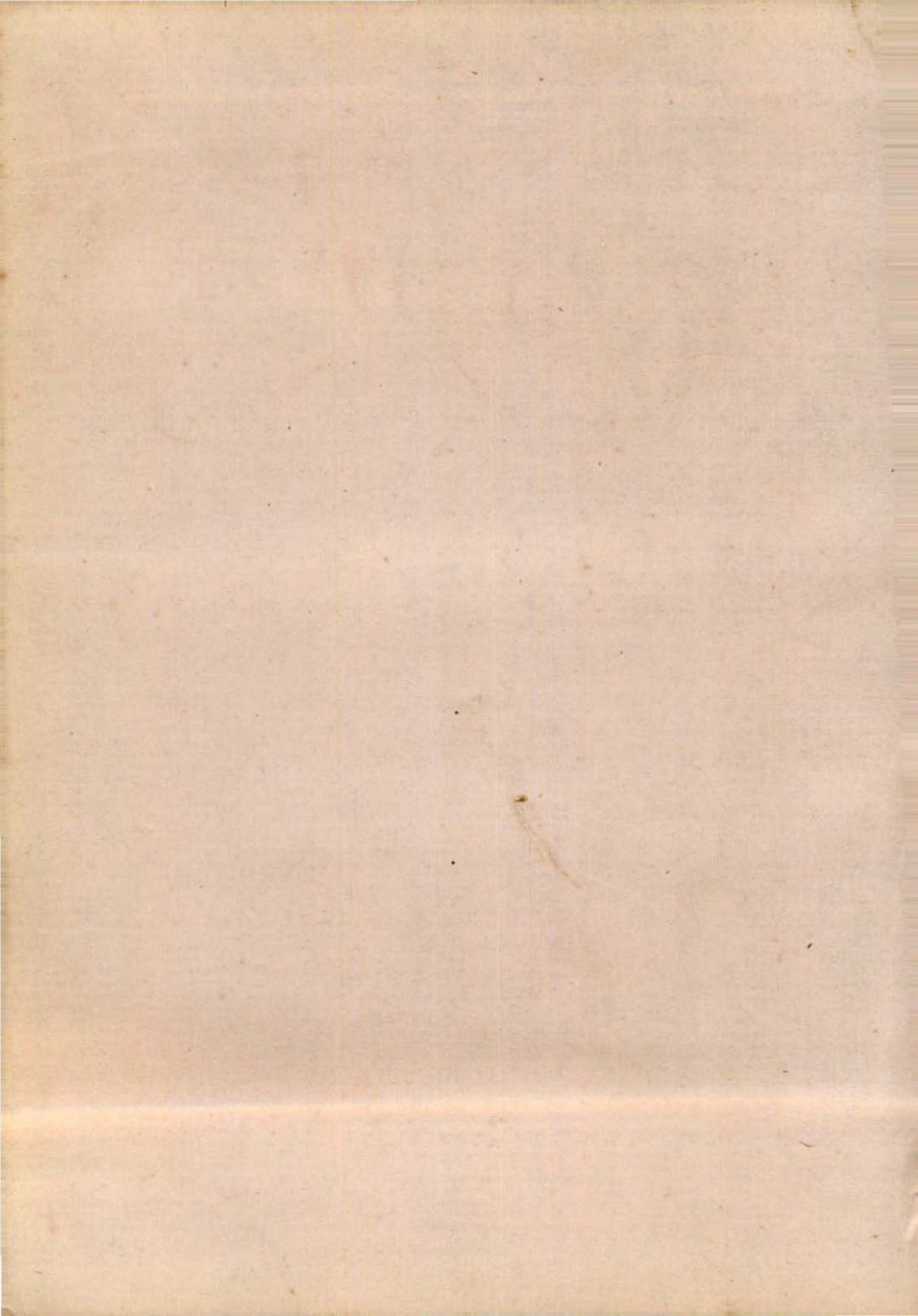
5.1. Purchase of cast iron sluice valves with accessories

Excessive and premature purchases of sluice valves at exorbitant rates by 9 irrigation/project divisions between June 1981 and May 1984 had resulted in an extra expenditure of Rs. 1.70 crores besides locking up of capital to the tune of Rs. 2.30 crores. During the period of purchase, the State Government had taken overdrafts at interest ranging from 12 to 13 per cent from the Reserve Bank of India on 283 days in 1981-82, 228 days in 1982-83 and 309 days in 1983-84. Details of the case are outlined below:—

In May 1981, the Superintending Engineer (SE), Siruvani Project Circle, Palghat invited tenders for the supply of cast iron sluice valves of various sizes with accessories, required for installation in the canal system of Attappady Valley Irrigation Project (AVIP). In the tender notice, the probable amount of contract was indicated as Rs. 1 lakh, on the basis of requirements ascertained from AVIP Division, Agali.* The period of supply was stipulated as three months. Of eight tenders received, the lowest was that of a Coimbatore firm which was accepted (June 1981). S E directed AVIP Division, Agali and 4 other divisions (2 divisions under Kanhirapuzha Irrigation Project, Irrigation Division, Chittur and Irrigation Division, Malampuzha) under his jurisdiction to procure their requirements from the Coimbatore firm after executing necessary agreements. Of these, four divisions (Kanhirapuzha Irrigation Project Division No. III, Cherplacherry, Irrigation Division, Malampuzha, Irrigation Division, Chittur and AVIP Division, Agali) purchased 4,515 sluice valve sets at a cost of Rs. 1,93.15 lakhs during the period June 1981 to March 1984 (*vide* details given in Appendix 5.1). The fifth division (Kanhirapuzha Irrigation Project Division No. II, Ottapalam) did not make any purchase. Another quantity of 300 sluice valves with accessories (cost: Rs. 12.49 lakhs) was purchased by the AVIP Division, Agali in May 1984.

* The control of AVIP Division, Agali was later transferred in July 1981 to Project Circle, Kozhikode.





In December 1982, the Chief Engineer, Project-I, Kozhikode directed the SE, Project Circle, Cannanore to procure sluice valves required for works under his jurisdiction operating on the contract of AVIP Division, Agali with the Coimbatore firm. Accordingly the SE placed orders (December 1983 and March 1984) with the Coimbatore firm for supply of 914 sluice valve sets for use in three divisions under Pazhassi Irrigation Project and Karapuzha Project Division. Eight hundred and forty-one sluice valves and accessories (approximate cost: Rs. 33.41 lakhs) were purchased by these four divisions during January—May 1984.

It was also seen that under a supply order placed by Chitturpuzha Project Division, Chittur with the same firm, 172 sluice valves with accessories (cost: Rs. 7.95 lakhs) were received by Kuriarkutty—Karappara Irrigation Project Division, Kozhinjampara in September—October 1981.

Out of 5,828 sluice valve sets (approximate cost: Rs. 2.50 crores) thus purchased by the nine* divisions, only 423 (value: Rs. 0.20 crore) have been utilised so far, leaving an unused stock of 5,298 sluice valves and accessories worth Rs. 2.30 crores (approximately)—*vide* details given in Appendix 5.1.

The following points were noticed in audit:—

(i) Though the tender accepted in June 1981 by the SE, Siruvani Project Circle, Palghat was for an estimated cost of Rs. 1 lakh with period of supply stipulated as three months, purchases costing more than Rs. 2.4** crores were effected by the 9 divisions over a period (up to May 1984) of 3 years treating the tender virtually as a rate contract. According to rules, only the Stores Purchase Department of Government is competent to settle rate contracts, and purchase of items required by more than one division is to be arranged through the Chief Engineer. These aspects were overlooked by SE while effecting purchase. The total cost of the purchase actually effected was about 240 times the original estimate. Failure of the department to indicate the magnitude of the purchase realistically in the tender notice had deprived Government of more competitive tenders that would have materialised for bulk purchase.

* Information of purchase made by other divisions awaited.

** Does not include cost of purchases made by the 9 divisions after May 1984 and purchase by AVIP Division, Agali between June 1983 and April 1984.

(ii) According to the delegation of financial powers, SE is competent to purchase materials (other than tools and plant) only up to Rs. 10,000 at a time. The purchase was beyond his powers as the total cost of supplies exceeded this limit.

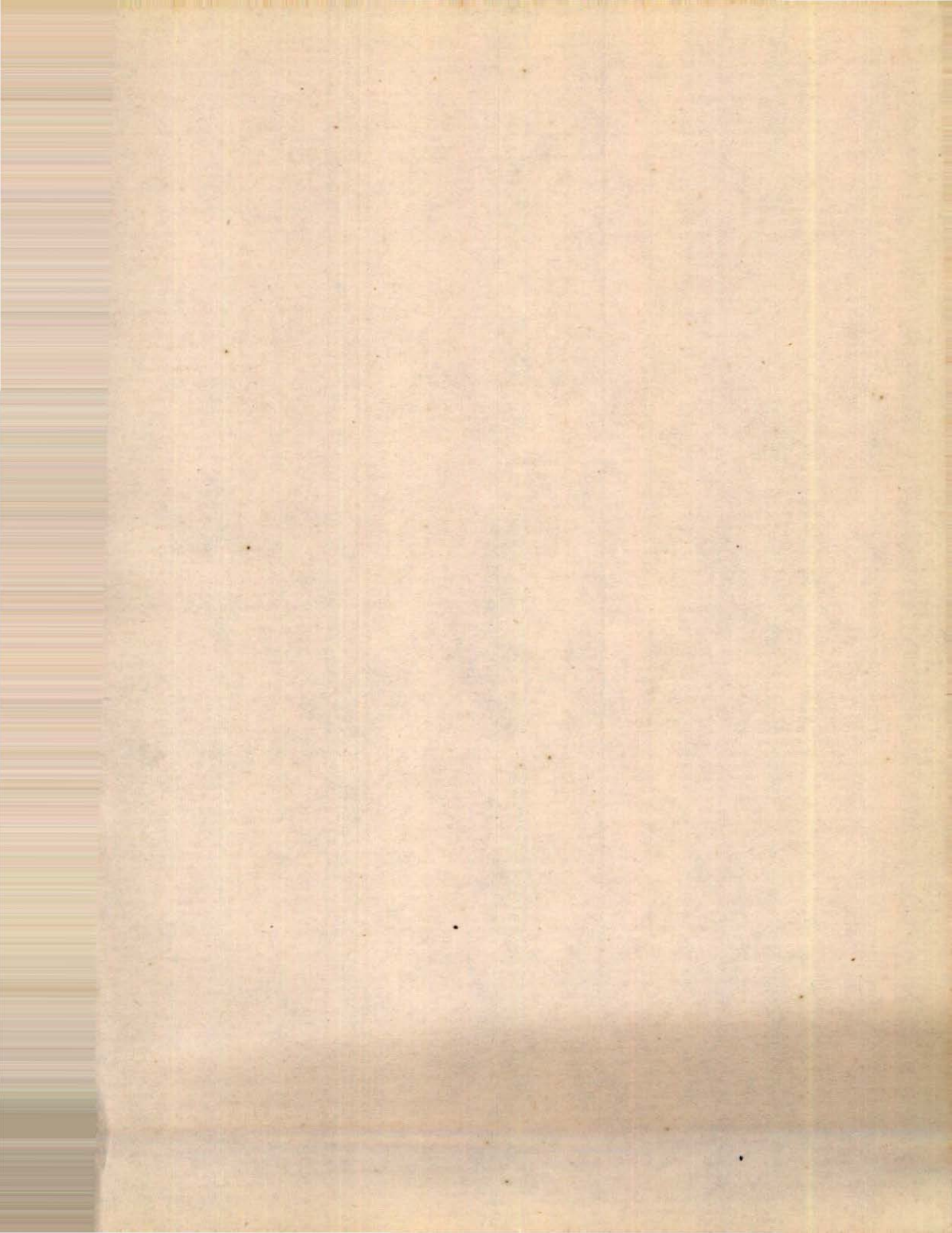
(iii) The department did not verify whether there was any other cheaper rate contract in force for supply of sluice valves before effecting purchases on a large scale from the Coimbatore firm.

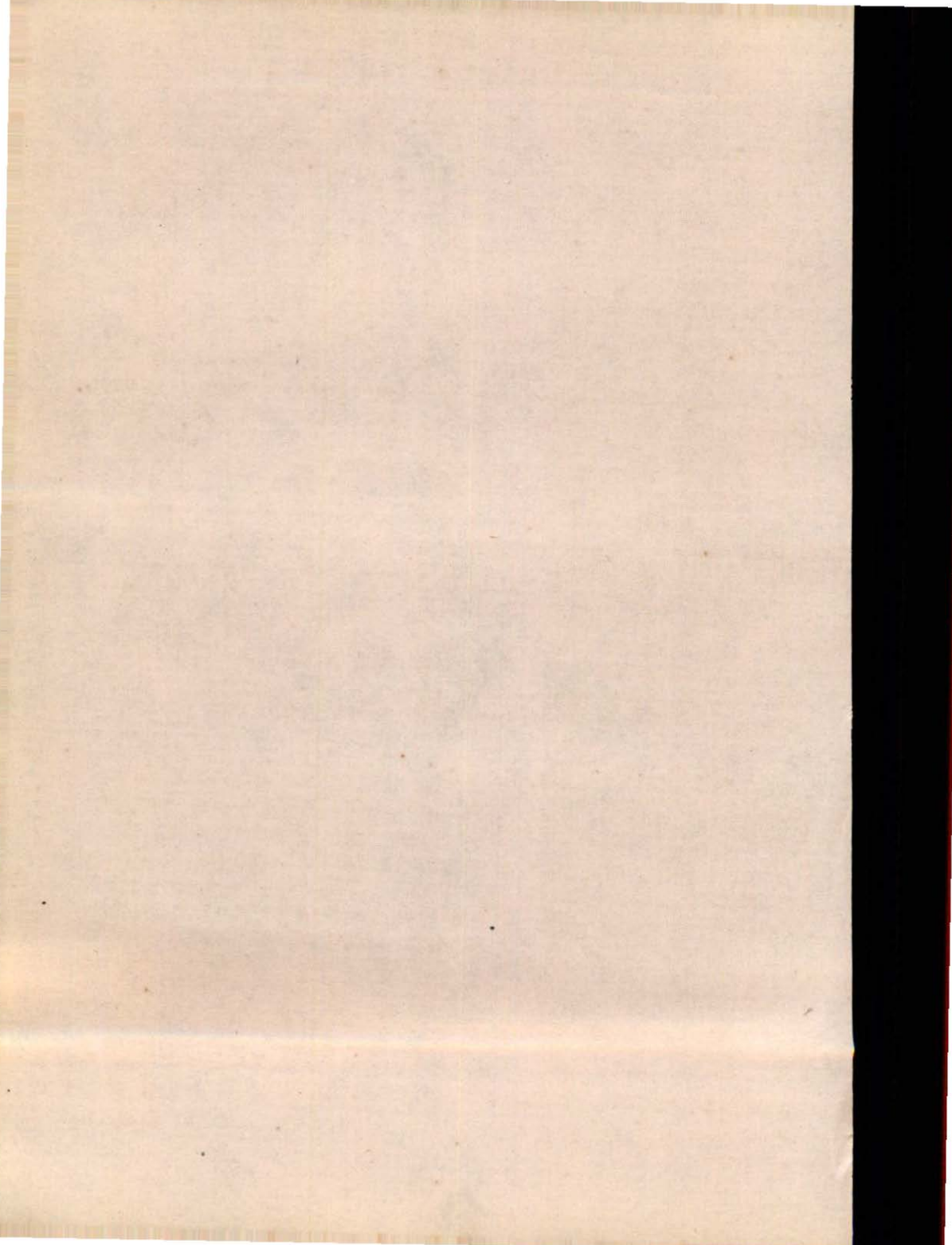
(iv) The rates accepted by SE in June 1981 were exorbitantly high. In a test-check, it was noticed that in the case of 150 mm sluice valves purchased from the Coimbatore firm, the rate accepted (Rs. 4,160) by SE was nearly six times the rate (Rs. 712) in the rate contract entered into with a Calcutta firm for the period June 1984 to April 1985. Similarly in the case of 100 mm sluice valves, the accepted rate (Rs. 3,120) was nearly nine times the rate (Rs. 358) at which it was purchased in March 1981 from a Madras firm by another division (Kanhirapuzha Irrigation Project Division No. III, Cherplacherry) under his jurisdiction. The following table compares the rates of Coimbatore firm accepted in June 1981 with the DGS&D rates (1983-84) for similar items:—

<i>Size of cast iron sluice valve</i>	<i>Accepted rate of Coimbatore firm (excluding taxes) (Rs.)</i>	<i>DGS&D rate (excluding taxes) (Rs.)</i>
300 mm	7,250	2,400
250 mm	5,900	1,908
200 mm	4,400	1,319
150 mm	4,000	773
125 mm	3,600	670
100 mm	3,000	519
80 and 75 mm	2,650	384

It is apparent that the price of the Coimbatore firm was nearly 3 to 9 times higher than that charged by other firms in the field, and that the purchase of valves had led to an estimated extra expenditure of Rs. 1.70 crores (approximately).

(v) At the head works of Attappady Valley Irrigation Project, foundation excavation for left and right flanks is still to be completed (April 1985). Against 47.04 km. of canals proposed for the project, canals





have been completed only for 6.25 km. The need for sluice valves will arise only after the head works and distribution/conveyance system are completed. Work on the project is almost at a standstill from 1981-82 owing to lack of funds and Cauvery water dispute. In the circumstances, purchase of sluice valves during 1981-83 was premature and far in excess of requirements.

Before inviting tenders, the total number of sluice valves required for the project for a period of 3 to 4 years was indicated by AVIP Division, Agali as 200 (200 mm: 120; 150 mm: 50; and 100 mm: 30). Against this, the division placed 118 supply orders (June 1981 to March 1982: 64; December 1982 to March 1983: 54) and purchased up to March 1984, 4,116 sluice valves of 8 sizes with accessories, valued at Rs. 1.75 crores. Though the excessive purchase involving locking up of capital and deviation from rules was pointed out by Audit in April/May 1984, the division placed 13 more purchase orders on the firm in May 1984 for an additional supply of 300 sluice valves with accessories (cost: Rs. 12.49 lakhs).

None of the sluice valves and accessories procured (cost: Rs. 1.87 crores) had, however, been utilised by the division. The action of SE in procuring such a huge quantity (4,416 sluice valves with accessories) against the estimated requirement of 200 valves for a period of 3 to 4 years and that too when the prospect of prompt utilisation was dim, was grossly irregular and injudicious.

(vi) The cost of sluice valves purchased by AVIP Division was charged to works. However, the estimates for the works provided only for 'supply of valves' and there was no provision for fixing the valves in the canal system.

(vii) (a) AVIP Division, Agali transferred 1,200 sluice valves of five sizes (80 mm, 100mm, 150mm, 200mm, and 300mm) during May 1983, June 1983, August 1983 and May 1984 to Kallada Irrigation Project (KIP) RB Division No. III, Adoor, involving an expenditure of Rs. 0.48 lakh on transportation of the materials. The sluice valves and accessories had not been utilised by the latter division so far and were not likely to be useful for Kallada Irrigation Project as (a) sluice valves of various sizes from 80 mm to 300 mm. were already available in KIP-RB Divisions, Punalur, Kottarakara and Adoor and LB Division, Punalur, under the project and (b) pipes of dimensions (90mm, 110mm, 140mm, 160mm, etc.) different from those of the sluice valves transferred from AVIP Division, Agali (80 mm, 100mm, 150 mm, etc.) were being procured for the project.

(b) Another quantity of 1,192 numbers of sluice valves with accessories (value: Rs. 46.78 lakhs) was transferred from Agali to three divisions under the Kuttiadi Irrigation Project. Of these, only 174 sluice valves with accessories have been used so far, leaving an unutilised balance of 1,018 valves with accessories (value: Rs. 41.27 lakhs).

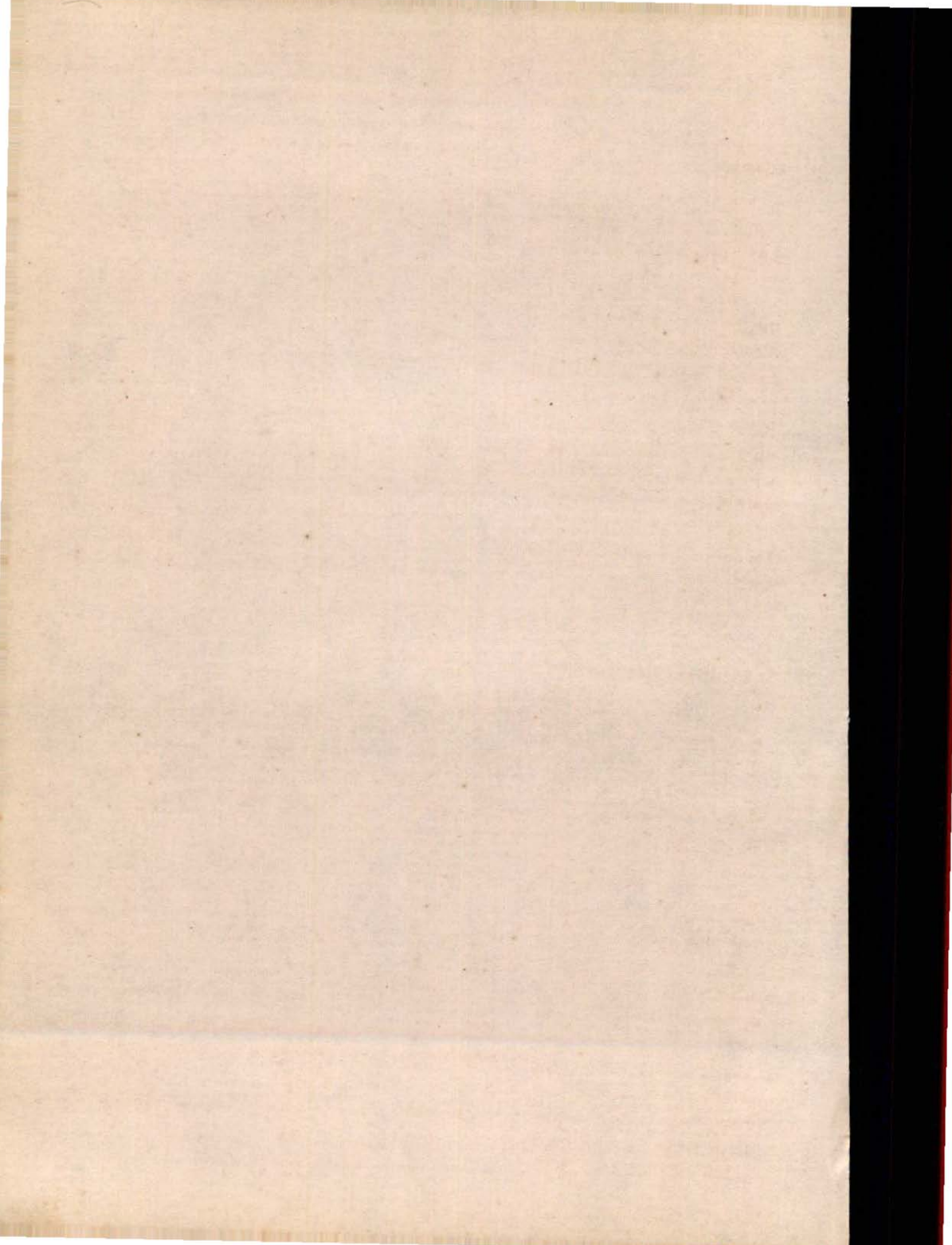
(viii) The supply orders placed by the SE, Project Circle, Cannanore in December 1983 and March 1984 were without any indent from the divisions concerned. The entire stock of sluice valves and accessories purchased at a cost of Rs. 33.41 lakhs by the four divisions coming under his jurisdiction remained unutilised (December 1985). In Karapuzha Project Division, even the work on dam foundation has not been completed and investigation relating to the main canal remains still incomplete.

(ix) The Government informed Audit in February and November 1985 that a vigilance enquiry into the purchase was being conducted. Further developments are awaited (January 1986).

5.2. Purchase of PVC pipes far in advance of requirements

In February 1982, Government ordered that for execution of field channels under Kallada Irrigation Project (KIP), the pattern envisaged in the Command Area Development Programme (CADP) would be followed and that pending inclusion of KIP under CADP and enactment of necessary legislation in this regard, minor conveyance system of the project be done either on the basis of *cent per cent* agreement from the beneficiaries or under the provisions of the Kerala Land Development Act. Formal orders for bringing KIP under CADP are yet to be issued. For execution of works on minor conveyance system (MCS) to provide irrigation to 3,800 hectares of the command area, KIP (MCS) Divisions No. I, Punalur and No. II, Adoor purchased 5,23,590 metres of unplasticised PVC pipes at a cost of Rs. 99.72 lakhs under a rate contract with a Madras firm. The purchases were made as directed by the Chief Engineer, Projects III, Kallada, Kottarakara in May and June 1984. The required sanction of the Command Area Development Authority to take up the work is still pending (July 1985). Consequently, pipes procured at a cost of nearly one crore of rupees are remaining unused.

According to the specifications of the manufacturer, the pipes have to be protected from direct sunlight in case of prolonged storage. The department has so far incurred an expenditure of Rs. 0.46 lakh (approximately) for providing such protection to the pipes.



Government stated (December 1985) that the pipes were procured in advance for speedy implementation of MCS works.

FISHERIES AND PORTS DEPARTMENT

5.3. Idle stock of stores

In August 1979, the Director of Fisheries sought the sanction of Government to purchase spare parts (estimated cost: Rs. 1.34 lakhs) for marine diesel engines of foreign make on the ground that about 100 mechanised fishing boats issued under the 'Indo-Norwegian Project' were facing problems for want of genuine spare parts. Purchase of spares at a cost of Rs. 1.28 lakhs was sanctioned by Government in February 1980. Accordingly, the department purchased (November 1980) spares worth Rs. 1.26 lakhs which were stocked in the Fishermen Training Centre, Neendakara for sale to fishermen. Spares worth Rs. 0.21 lakh had been sold out so far (July 1985) and the rest of the spares (worth Rs. 1.05 lakhs) was in idle stock for more than 4 years. The delay in their disposal indicated that the department had not assessed the requirement properly before effecting the purchase.

AGRICULTURE DEPARTMENT

5.4. Excessive stocking of copper sulphate

Under a scheme for spraying of coconut palms to control leaf-rot disease, Government accorded sanction to the Director of Agriculture in October 1980 to purchase 750 tonnes of copper sulphate for preparing Bordeaux mixture used for spraying. Accordingly, the Director of Agriculture purchased during 1980-81, a quantity of 721.5 tonnes of the chemical (cost: Rs. 97.10 lakhs) which was allotted to eight districts.

A test-check of the stock transactions in 4 districts (*viz.* Trivandrum, Quilon, Alleppey and Kottayam) showed that out of 491.5 tonnes of the chemical allotted to them, 108 tonnes (cost: Rs. 14.76 lakhs) were still lying unutilised. Bulk of the unused stock was in Trivandrum District where 85 tonnes (cost: Rs. 11.54 lakhs) out of 95 tonnes allotted, were still lying in stock. On account of inadequate storage facilities in departmental stores, the chemical was warehoused with the Kerala State Warehousing Corporation (KSWC) in January 1981 and had been lying there since then. The storage charges payable to KSWC for the period amounted to Rs. 1.03 lakhs and the claim preferred by KSWC was still pending settlement (April 1986).

The poor offtake of the chemical was attributed by the department to lack of interest on the part of farmers and local bodies in implementation of the coconut spraying scheme. In spite of poor offtake in Trivandrum District, no steps had been taken by the department to transfer it elsewhere or for its disposal otherwise (November 1985).

Government stated (November 1985) that (i) non-lifting of the chemical from the warehouse was due to want of funds, (ii) action was underway for providing funds and (iii) the chemical, when lifted, would be disposed of after refixing the price.

GENERAL

5.5. Non-receipt of consolidated stock accounts

Stores handling departments are required to furnish to Audit consolidated stock accounts annually.

Details of stores and stock accounts from 1976-77 onwards which had not been furnished to Audit till the end of September 1985 and of those which, though furnished, could not be certified on account of defects such as discrepancies and mistakes in valuation, incorrect calculation of depreciation, non-inclusion of certain items in opening/closing balance, non-production of stock registers to Audit, etc. are given in Appendix 5.2.

In the absence of proper accounts, detection of misappropriation, losses, shortages, etc. of stores may be delayed/rendered difficult.

The matter was reported to Government in October 1985; reply is awaited (January 1986)

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

This chapter deals with the results of audit of departmentally managed Government commercial and quasi-commercial undertakings.

(a) On 31st March 1985, there were three departmental commercial undertakings in the State as indicated below:—

- (i) Text Books Office, Trivandrum.
- (ii) State Water Transport Department, Alleppey.
- (iii) State Insurance Department, Trivandrum.

The extent of arrears in preparation of *pro forma* accounts by the above commercial undertakings is indicated in the following table:—

Sl. no.	Name of undertaking	Period for which preparation of <i>pro forma</i> accounts is in arrears	Remarks
1.	Text Books Office, Trivandrum	1976-77 to 1984-85	Delay in preparation of <i>pro forma</i> accounts has been attributed by the department to lack of employees experienced in commercial accounting.
2.	State Water Transport Department, Alleppey	1982-83 to 1984-85	The delay in preparation of <i>pro forma</i> accounts has been attributed by Government to shortage of qualified hands.
3.	State Insurance Department, Trivandrum	1967-68 to 1984-85	Government stated in June 1984 that special staff had been posted for preparing <i>pro forma</i> accounts.

(b) Besides the undertakings mentioned above, *pro forma* accounts were due from Sitaram Spinning and Weaving Mills, Trichur* for the year 1979-80 and from Bleaching and Calendering Plant, Pappanamcode** for the years 1974-75 to 1980-81.

(c) Two boat building yards and 7 ice and cold storage plants were transferred from the Kerala Fisheries Corporation Limited (a Government Company) to the Department of Fisheries between September 1974 and June 1975. An order was issued by Government in August 1977 for adoption of commercial system of accounting by these units, but it was not implemented. In May 1984, Government decided that the units need not adopt commercial accounting for the time being.

(d) *Pro forma* accounts of the following trading schemes have also not been received from the concerned departmental officers for the years shown against each.

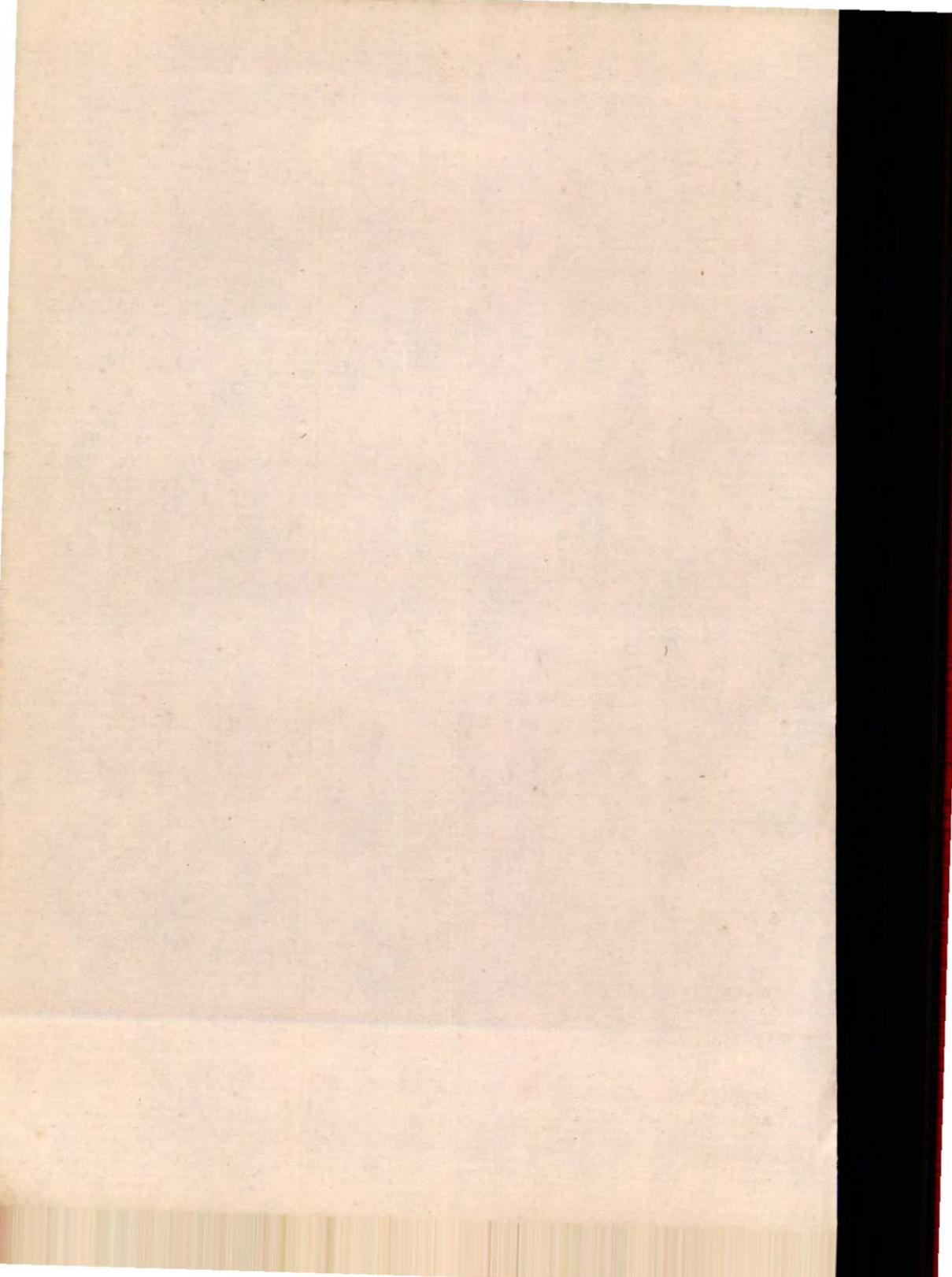
<i>Sl. No.</i>	<i>Name of department/scheme</i>	<i>Period for which due</i>	<i>Reasons for non-submission</i>
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1. AGRICULTURE DEPARTMENT

(i)	Manure supply scheme	1979-80 to 1984-85	
(ii)	Scheme for purchase and sale of plant protection chemicals	1975-76 to 1984-85	Non-sanction of the required staff at the time of implementation of the scheme.
(iii)	Scheme for purchase and sale of banana suckers	1977-78 to 1984-85	do.
(iv)	Scheme for purchase and sale of pulses	1974-75 to 1984-85	do.
(v)	Scheme for purchase and sale of paddy seeds	1974-75 to 1984-85	do.

* The assets of Sitaram Spinning and Weaving Mills, Trichur were transferred to Sitaram Textiles Limited (a Government Company) with effect from 20th February 1980.

** The Bleaching and Calendering Plant, Pappanamcode was transferred to the Kerala State Textile Corporation Limited (a Government Company) with effect from 1st April 1981.



2. AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

- | | | | |
|-------|---|--|--------------------------------------|
| (i) | Intensive Poultry Development Blocks at Muvattupuzha and Pettah | 1970-71
to
1983-84 | Non-finalisation of rules and forms. |
| (ii) | Egg collection and Marketing scheme, Chengannur | do. | do. |
| (iii) | Poultry feed manufacturing and distribution scheme, Chengannur | do. | do. |
| (iv) | Livestock and Poultry Feed Compounding Factory, Malampuzha | 1965-66
to
1975-76
and April 1976 | do. |

3. HOME DEPARTMENT

- | | | |
|--|---------------------------|-------------------------------------|
| Rubber Plantations run by the Open Prison, Nettukaltheri | 1982--83
to
1984-85 | Declared commercial in August 1982. |
|--|---------------------------|-------------------------------------|

PUBLIC WORKS AND TRANSPORT DEPARTMENT

6.2. State Water Transport Department

The State Water Transport Department, formed in June 1968, operates inland water transport services, catering to the needs of the water-logged areas of Ernakulam, Alleppey, Kottayam, Pathanamthitta and Quilon Districts. Mention was made in Reports of the Comptroller and Auditor General of India 1974-75, 1978-79 and 1983-84 about some aspects of the working of the department. Results of a further review conducted by Audit in May/June 1985 are given in the succeeding paragraphs:—

6.2.01. Working results

During the 5-year period ending 1984-85, expenditure (excluding depreciation and interest on capital) exceeded receipts by Rs. 1,64.38 lakhs as shown below:—

	1980-81	1981-82*	1982-83*	1983-84*	1984-85*
	(Rupees in lakhs)				
Expenditure	99.14**	1,31.08	1,53.44	1,66.94	1,73.56
Receipts	84.41	1,03.51	1,21.50	1,13.67	1,36.69
Excess of expenditure over receipts	14.73**	27.57	31.94	53.27	36.87

The uneconomic working was attributed by the department to (i) increase in establishment expenditure, (ii) increase in cost of spare parts and fuel, (iii) frequent repairs of boats due to their old age, (iv) concessions to students and (v) operation of services in routes connected by roads. The heavy loss during 1983-84 was ascribed to a strike by a section of employees from 3rd to 10th June 1983 and their non-co-operation for some time thereafter. Government stated (January 1986) that the main reason for the loss was the operation of uneconomic services in water-logged areas where no other means of transport are available.

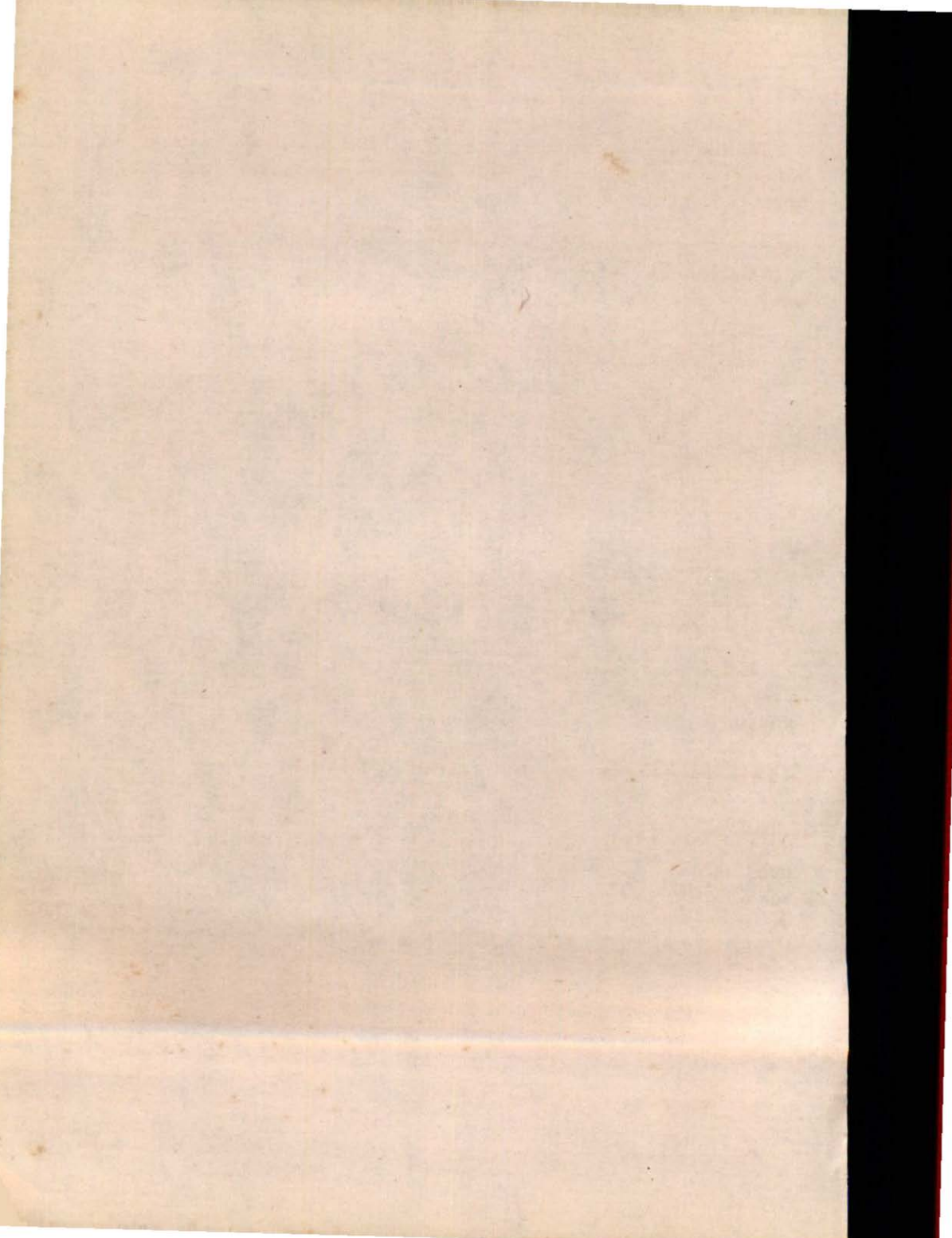
6.2.02. Fare structure

The authority for fixing passenger fares for inland water transport services is vested in Chief Engineer (Irrigation). The fares fixed with effect from 1st October 1973 were not revised till 15th August 1980 despite increase in operating expenses by 100 per cent during the period. Subsequently, the fares were increased thrice as shown below:—

Date of fare revision	Percentage of increase over the then existing rates
15th August 1980	30
19th February 1982	30
15th November 1984	15

* Figures provisional.

** As per the *pro forma* accounts for the year 1980-81, the figures of expenditure and loss (including interest on capital and depreciation) were Rs. 1,12.71 lakhs and Rs. 28.30 lakhs respectively.



No attempt was made at any time to fix the fare, linking it to distance or duration of operation. As a result, the rate per kilometre varied widely from route to route as indicated below:—

<i>Sl. no.</i>	<i>Name of route</i>	<i>Distance (km)</i>	<i>Fare with effect from 15th November 1984 (Rs.)</i>	<i>Rate per km. (Paise)</i>
1.	Alleppey-Kottayam	29	2.40	8.3
2.	Alleppey-Changanacherry	32	2.40	7.5
3.	Chengannur-Ernakulam	101.2	6.20	6.1
4.	Alleppey-Quilon	78.4	4.50	5.7
5.	Ernakulam-Perumbalam	22	2.20	10.0
6.	Changanacherry-Champakulam	32	2.10	6.6

Government stated (January 1986) that they had decided to constitute a committee to study the various aspects of water transport services and suggest a rational fare structure based on scientific data.

6.2.03. *Fleet strength and utilisation*

Though the department started its operations with 75 boats in June 1968, the number of boats decreased to 72 by 1979-80. During the five years from 1980-81 to 1984-85, 16 new boats were added to the fleet and 14 old boats were disposed of. Thus, at the end of 1984-85, the department had 74 boats, their age-wise break-up being as follows:—

<i>Sl. no.</i>	<i>Age of boats</i>	<i>No. of boats</i>
(i)	More than 25 years	24
(ii)	Between 15 and 10 years	11
(iii)	Between 10 and 5 years	23
(iv)	Below five years	16

The table below indicates the extent of fleet utilisation during the five years ending 1984-85:—

Year	Fleet strength as at the end of the year	No. of boats under repair		
		for the whole year	for more than six months but less than one year	for more than three months but less than six months
1980-81	69	10	6	15
1981-82	76	9	10	7
1982-83	72	4	9	13
1983-84	74	9	12	11
1984-85	74	7	14	8

Taking into account the number of boat-days lost due to minor repairs, the average number of boats available for operation during the period ranged between 43 (1980-81) and 53 (1981-82).

Number of boat-days available for service operation, boat-days actually operated, boat-days lost and percentage thereof during 1980-81 to 1984-85 are indicated below:—

Year	No. of boats available for operation*	No. of boat days			Percentage of boat-days lost to boat- days available
		Available	Operated	Lost	
1980-81	68	24,820	15,829	8,991	36
1981-82	75	27,375	19,550	7,825	29
1982-83	71	25,915	18,430	7,485	29
1983-84	73	26,718	18,488	8,230	31
1984-85	73	26,645	19,225	7,420	28

The low utilisation of boats was mainly due to old age of boats and consequent need for frequent repairs. Retention of very old boats in service was attributed by the department to paucity of funds to replace them. Government stated (January 1986) that a scheme to replace the old boats in a phased manner was under their consideration.

* Excluding one boat used in the workshop.

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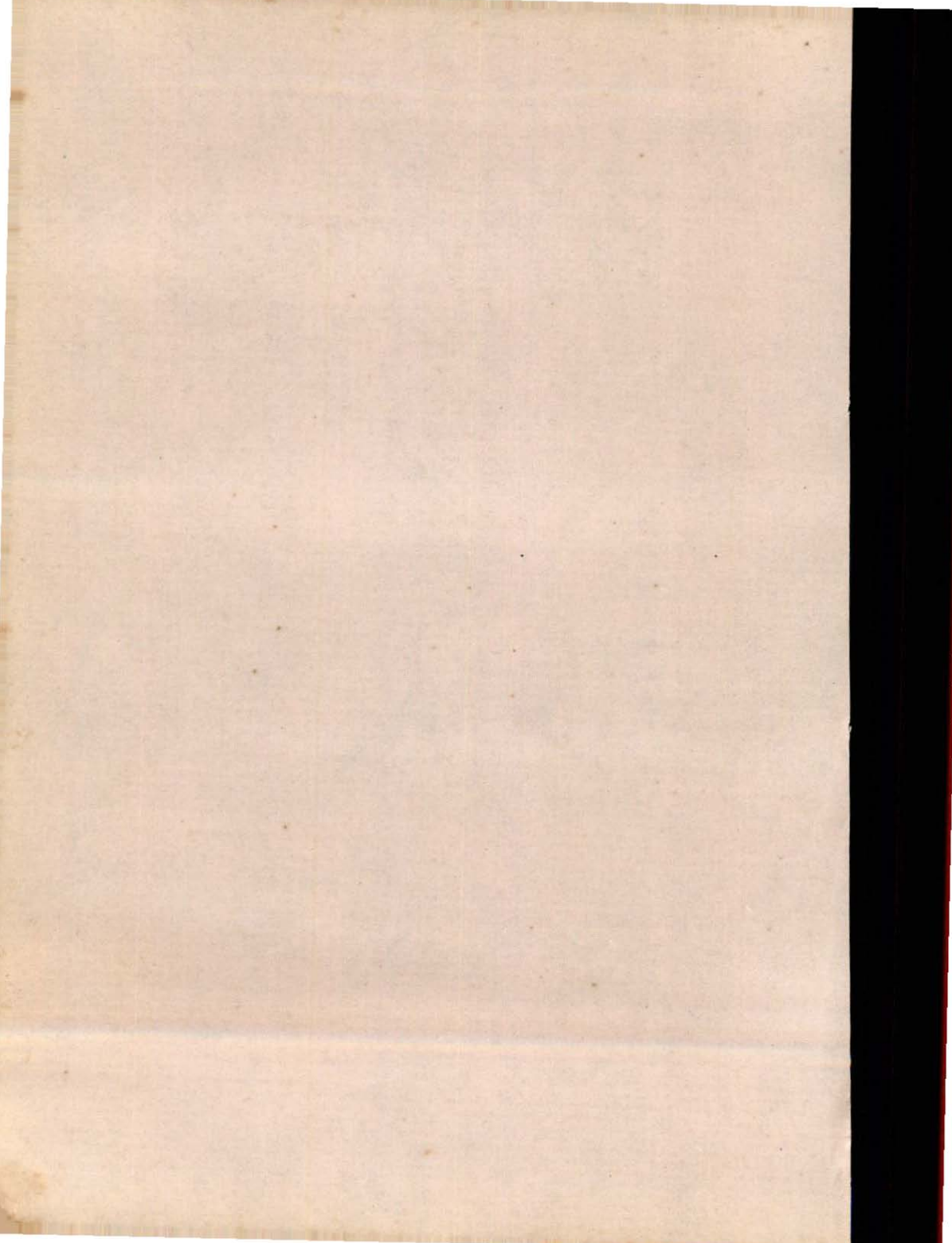
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6.2.04. *Operational results*

(i) The table below summarises the operational results of the department for the five years upto 1984-85:—

	1980-81	1981-82	1982-83	1983-84	1984-85
1. No. of routes operated	68	69	68	70	69
2. Route distance (km.)	1779.6	1790.8	1786.8	1795.0	1757.2
3. Scheduled distance per day (km.)	7562.8	7619.2	7837.0	7809.0	7540.6
4. No. of passengers carried (in lakhs)	102.88	102.98	103.73	104.86	106.60
5. Total scheduled distance (in lakh km.)	27.60	28.12	28.61	28.50	27.52
6. Total scheduled distance cancelled (in lakh km.)	0.90	1.21	0.49	2.85	2.34
7. Actual distance operated (in lakh km.)	26.70	26.91	28.12	25.65	25.18
8. Percentage of cancellation	3.3	4.3	1.7	10.0	8.5
9. Total expenditure (excluding depreciation and interest on capital) (Rs. in lakhs)	99.14	131.08*	153.44*	166.94*	173.56*

*Figures provisional.

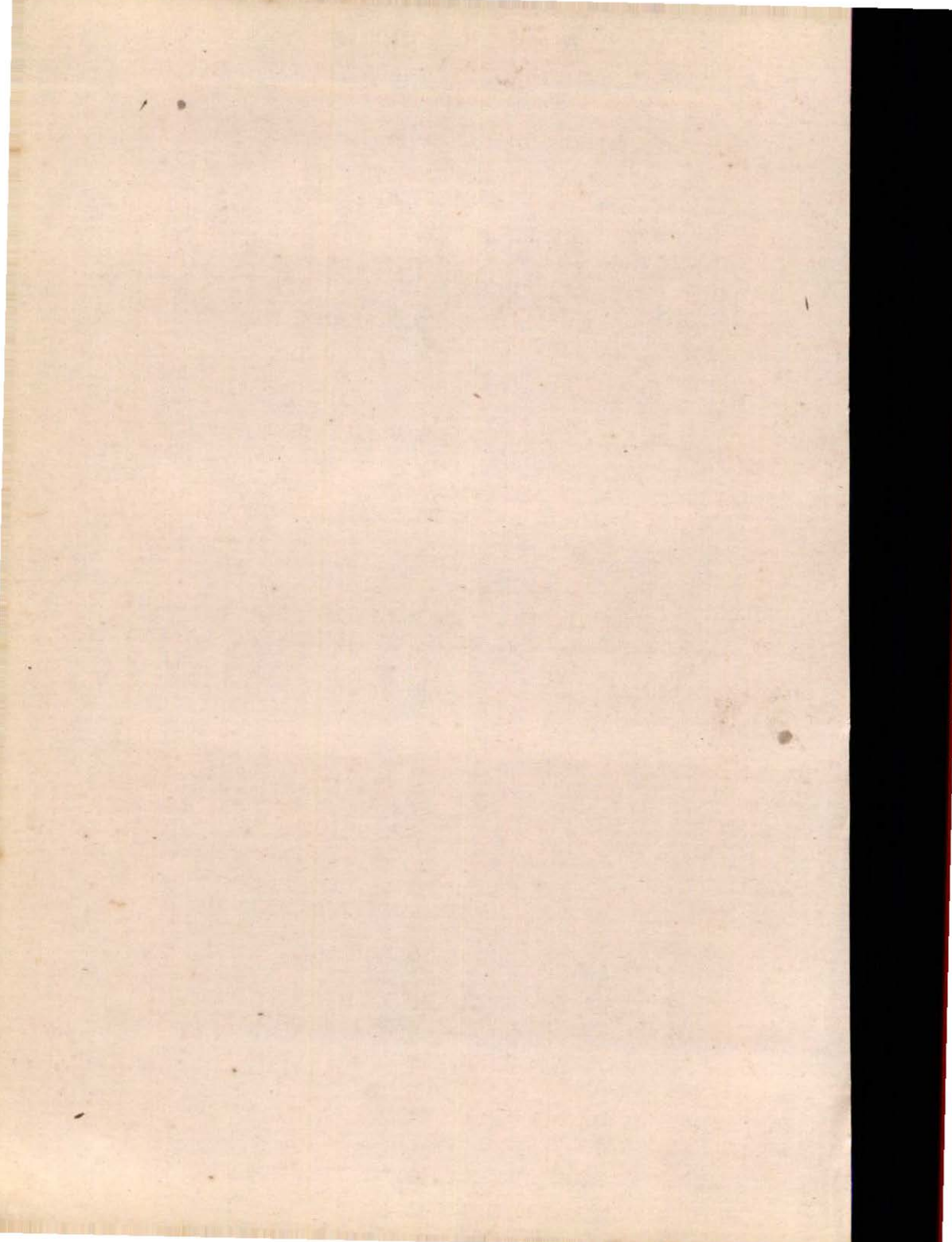
	1980-81	1981-82	1982-83	1983-84	1984-85
10. Average expenditure (excluding depreciation and interest on capital) per kilometre operated (Rs.)	3.71	4.87	5.46	6.51	6.89
11. Total receipts (Rs. in lakhs)	84.41	103.51	121.50	113.67	136.69
12. Average receipts per km. (Rs.)	3.16	3.85	4.32	4.43	5.43
13. Average loss (excluding depreciation and interest on capital) per kilometre operated (Rs.)	0.55	1.02*	1.14*	2.08*	1.46*

(ii) The department is not maintaining any consolidated record to analyse route-wise earnings on a continuing basis. A study of earnings on 51 routes in April 1984, conducted (May 1985) by the department, revealed that only 8 of those routes or about 16 per cent were remunerative. Though fares were enhanced by 15 per cent with effect from 15th November 1984, the increase was not adequate to cover the wide gap between income and expenditure and the deficit was about 21 per cent of expenditure in 1984-85. Government stated (January 1986) that a scientific study to identify remunerative routes and others had not been conducted so far and that the question was being looked into by Government.

(iii) *Operation of services between places connected by roads*

As brought out in the foregoing sub-paragraph, more than 84 per cent of the routes were uneconomic. The loss sustained by the department in operating two such routes between places connected by roads, viz., Chengannur-Ernakulam and Alleppey-Quilon during the four years from 1981-82 to 1984-85 worked out to Rs. 15.57 lakhs. Government stated (January 1986) that the continuance of the services was necessary in public interest as the boats were operated touching interior water-logged areas.

* Figures provisional.



(iv) *Revenue from parcel services*

The table below indicates the revenue realised from parcel services during the five years upto 1984-85;—

<i>Year</i>	<i>Amount</i> <i>(Rs. in lakhs)</i>
1980-81	3.02
1981-82	3.41
1982-83	3.24
1983-84	3.92
1984-85	3.31

Though the parcel charges were increased by 30 *per cent* from 1st May 1983, there was no proportionate increase in revenue during 1983-84; notwithstanding a further increase of 15 *per cent* from 5th February 1985, there was a decline in revenue during 1984-85. This was attributed (January 1986) by Government to keen competition from private parcel agencies.

6.2.05. *Delay in reconstruction/repair of boats*

(i) According to norms laid down by the department, boats docked for repairs (other than for minor/running repairs) are to be repaired/reconstructed, within 90 days. The table below indicates the details of boats repaired/reconstructed and boat-days lost due to delays in repairing/reconstructing boats during the five years upto 1984-85.

<i>Year</i>	<i>No. of boats repaired/reconstructed</i>	<i>Average time (in days) taken for repairs (including delay in undertaking repairs after docking)</i>	<i>No. of boat-days lost due to delay in repairs over and above the prescribed norm of 90 days</i>
1980-81	22	197	2347
1981-82	17	283	3276
1982-83	13	232	1850
1983-84	17	296	3501
1984-85	18	295	3687

In all these years, the average time taken for repairs was more than twice the norm of 90 days. Government attributed (January 1986) the delay to lack of sufficient facilities in the dock and consequent waiting period for undertaking repairs.

(ii) *Facilities for repairs/reconstruction of boats*

The Dock and Repair Yard of the department is located at Alleppey. As there is no facility for attending to even minor/running repairs at any of the ten other operating centres of the department, boats requiring repairs have to be brought to Alleppey from far away places like Quilon, Chengannur, Ernakulam, etc.

The Dock and Repair Yard at Alleppey has facilities for repairing nine boats at a time. On account of the inordinate delay in completing repairs as indicated in the preceding sub-paragraph, 5 to 10 boats on an average had to wait in the canal for weeks before they were docked for repairs.

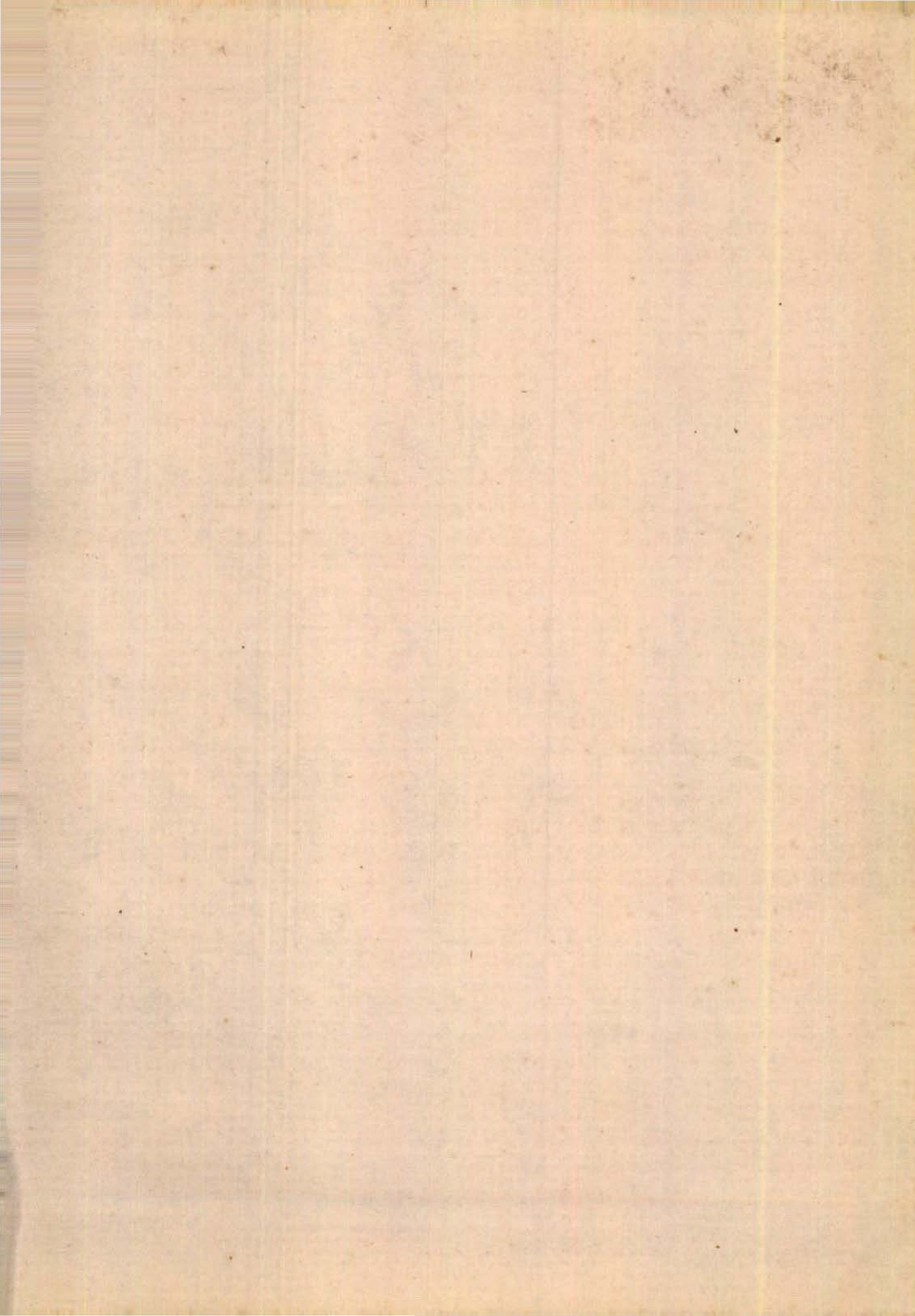
Out of 87 boats repaired/reconstructed during the five years upto 1984-85, 31 boats were got repaired through private contractors on piece-rate basis. The labour charges alone amounted to Rs. 2.50 lakhs (approximately). The entrustment of work to private parties was resorted to on the ground that the limited number of employees available in the workshop did not get enough time to attend to major repairs, besides attending to running repairs of boats. No steps have, however, been taken by the department to make the Dock and Repair Yard self-sufficient. Government stated (January 1986) that entrustment of work to private contractors was done as it was found to be 'economical and speedier'.

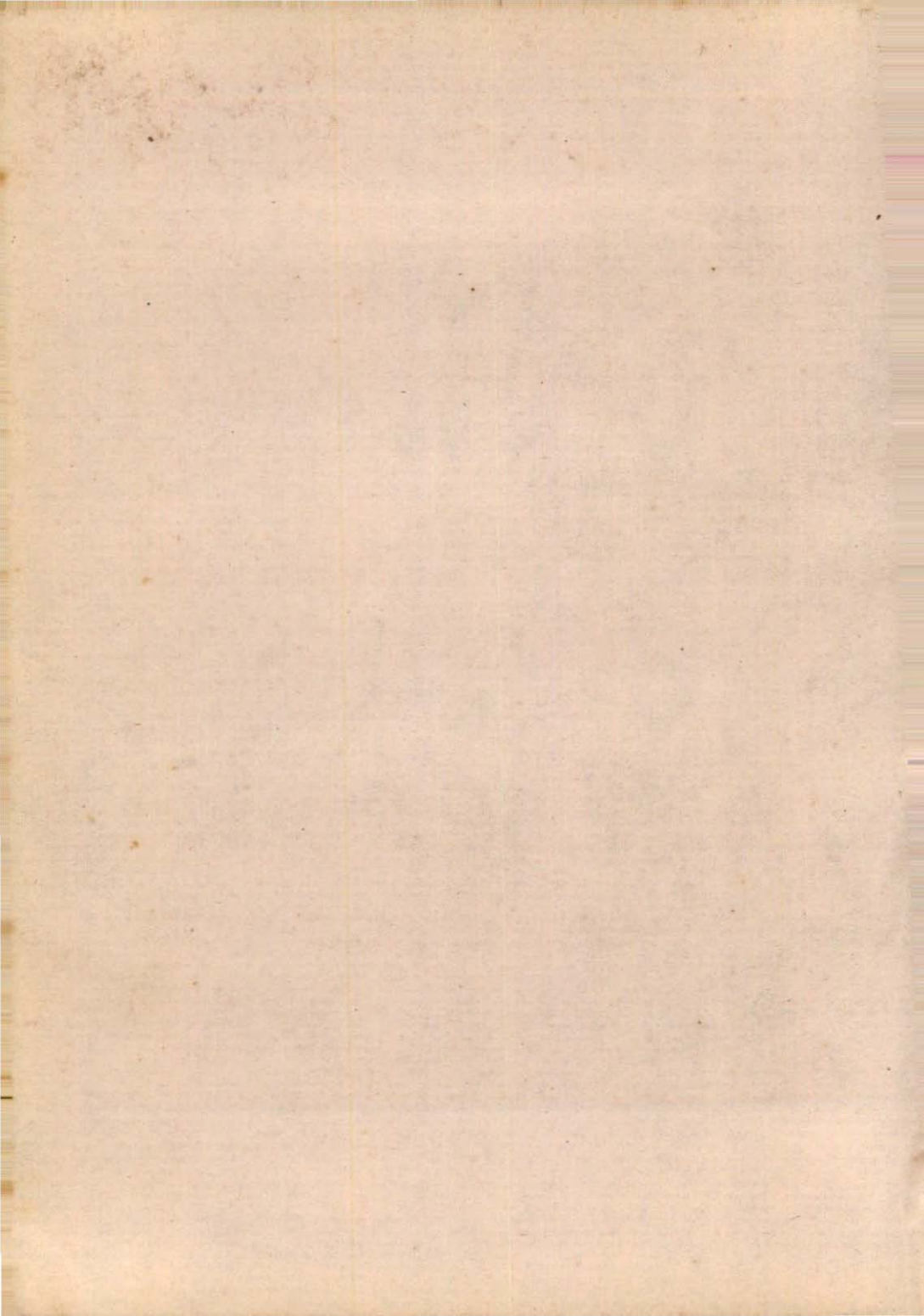
(iii) *Frequency of repairs*

The boats of the department were docked for major repairs at intervals of 18 to 30 months. The Institute of Management in Government, Trivandrum, which conducted a work study on the Dock and Repair Yard, observed in its report (January 1985) that the frequency was high when compared to the boats of the water transport wing of the Kerala State Road Transport Corporation which were dry docked only once in 7 years. Old age of the boats and unsafe conditions of the jetties are the reasons adduced by the department for frequent dry docking of its boats for major repairs.

6.2.06. *Stock of engines*

Though the number of boats in the possession of the department was 74, only 54 boats on an average were in operation. Against this, the department had a stock of 96 engines of 10 types/makes at the end of 1984-85. Of these engines, 9 were stated to be unserviceable (8 engines from 1980-81 and one from 1982-83). Government stated (January 1986) that action





was under way for the disposal of the 9 unserviceable engines. The Institute of Management in Government advised (January 1985) the department that the practice of procuring a new engine whenever a new boat was built should be reconsidered in view of the huge stock of engines held by the department. The Institute also pointed out the need for restricting the variety of engines used in the department to one or two with a view to reducing the inventory and facilitating maintenance. The suggestion was stated to be under examination by Government for implementation.

6.2.07. *Fuel consumption*

Though fuel and lubricants account for as much as about 35 per cent of the expenditure of the department, there was no machinery in the department to ensure that the consumption of fuel was kept within norms. Periodical fuel consumption statements showing the fuel issued to each boat, duration of operation and fuel consumption per hour were not prepared. Log books were not maintained. Though 'oil books' showing issue of oil to each boat were kept, the details of hours operated by the boats were not recorded therein in many cases.

Fuel pumps of the department are installed at Alleppey and high speed diesel (HSD) oil required for the other operating centres is issued from Alleppey in bulk in barrels. Accounts of receipts and issues of oil received from these centres periodically, were not scrutinised in the head office to ensure that the consumption of fuel was as per norms.

The table below indicates the total consumption of HSD oil, total distance operated and the average consumption of fuel per kilometre during the five years up to 1984-85.

<i>Year</i>	<i>Total distance operated (in lakh km.)</i>	<i>Total consumption of HSD oil (in lakh litres)</i>	<i>Average consumption (litre/km.)</i>
1980-81	26.70	12.71	0.48
1981-82	26.91	14.59	0.54
1982-83	28.12	15.28	0.54
1983-84	25.65	14.30	0.56
1984-85	25.18	15.58	0.62

Though the norms for consumption of fuel are prescribed by engine manufacturers in terms of hours of operation, no records were maintained

by the department to show the total hours operated by the vessels to facilitate comparison of actual consumption with norms.

Fuel efficiency of different types of engines is not considered while effecting purchase of new engines. During the period from December 1980 to May 1983, the department purchased 9 engines of Kirloskar Make RB 44 M type (62.4 HP) which were fitted in boats with passenger capacities ranging from 75 to 78. The tonnage of these boats ranged between 19 and 27. The average fuel consumption of these engines as per norms prescribed by the manufacturers was 7.5 litres per hour. The department was also having other boats of similar specifications (with identical passenger capacity and tonnage), fitted with Kirloskar RBV 3 engines (42 HP) or Ruston 3 YDAM engines (43.5 HP) which had lower fuel consumption rates of 6 litres per hour and 5 litres per hour respectively. Based on the standard consumption for RBV 3 engines, the excess annual consumption of 9 boats fitted with RB 44 M type engines worked out to 59,130 litres valued at Rs. 2.12 lakhs.

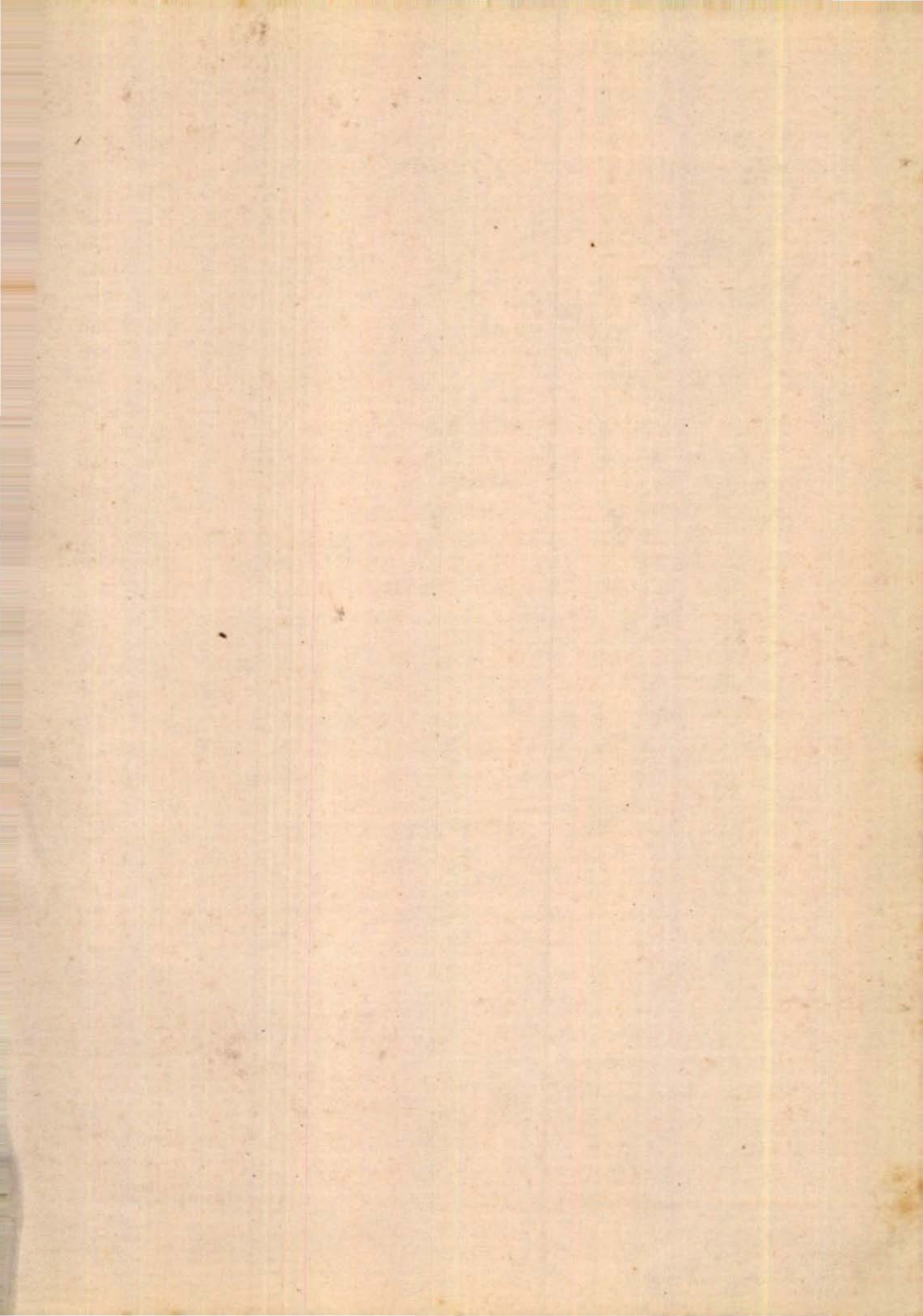
6.2.08. *Timber-sawing operations*

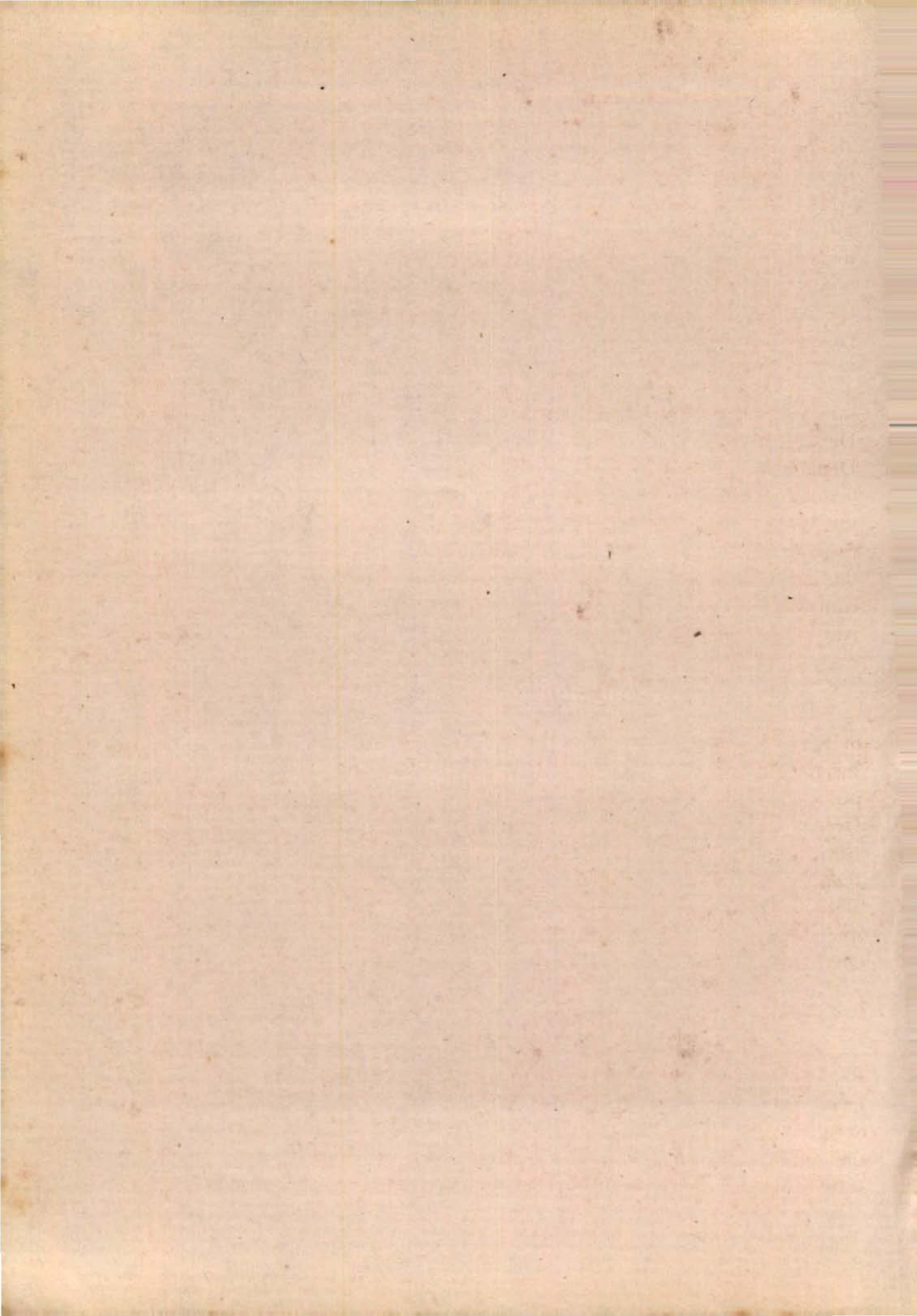
The timber required for the repairs/construction of boats is got sawn by engaging private contractors. A re-saw machine-purchased at a cost of Rs. 0.16 lakh in March 1982 has not been erected and put to use.

6.2.09. *Construction of new boats*

Sanction for construction of 20 new boats at a total estimated cost of Rs. 30 lakhs was accorded by Government in November 1976. Though the construction was to be completed within 4 years from 1975-76, only 18 boats were constructed upto 1984-85 at a cost of Rs. 58.44 lakhs (Rs. 43.47 lakhs on body and Rs.14.97 lakhs on engines). On account of the delay in construction, the estimated cost of construction of the 20 boats had to be revised upward to Rs. 61 lakhs in September 1984.

Work of construction of 2 passenger boats at a rate of Rs. 2.88 lakhs (plus taxes and duties) per boat was awarded to a firm in April 1982. Though the firm was to supply the boats by October 1982 and was paid Rs. 1.65 lakhs as stage payment, it completed only the first two out of the four stages of construction in respect of the first boat and the first stage of the second boat till June 1983, when it expressed difficulty in proceeding with the work. The work was then taken over by another firm in September 1983 under a new agreement for delivery of the two boats by November





1983. However, the new firm supplied only the first boat by March 1984, that is, after a delay of 16 weeks, and surrendered (August 1984) to the department the first stage materials of the second boat without doing any work thereon. Items of keel (including a damaged part) so surrendered, for which the department had paid Rs.0.39 lakh, were of no use to the department as there was no proposal for departmental construction of new boats. The firm made a representation in September 1984 for relief from the burden of contract; a decision on the matter was yet to be taken by the Government (October 1985).

In the case of another passenger boat 67 feet long, Government accorded sanction in November 1983 for entrusting its construction to the Fisheries Department after fixing the price through negotiations. The Fisheries Department agreed to construct the boat at a total cost of Rs. 3.74 lakhs (excluding taxes and duties) and deliver it within 6 to 8 months. Accordingly, the Water Transport Department placed (January 1984) the order for constructing the boat, stipulating its delivery in August 1984. In March 1985, the department paid the Fisheries Department Rs. 1.28 lakhs for the work completed till then. Out of the four stages of boat construction, only the first two stages had been completed (July 1985).

6.2.10. *Purchase of engines*

On the basis of a single tender obtained (July 1980) from the distributors of Kirloskar oil engines, Government accorded sanction in September 1980 for the purchase of 4 Kirloskar RB 44 M type diesel engines at Rs. 90,077 per engine. The engines were purchased by the department in November—December 1980 at a total cost of Rs. 3.60 lakhs. Subsequently in February 1981, when the department invited tenders for the supply of engines, the same tenderer quoted the rate of Rs. 84,650 per engine for the same make and type. The purchase effected in November/December 1980 on the basis of the single tender had thus resulted in an extra expenditure of Rs. 0.22 lakh, compared to the rate obtained in the open tender in February 1981.

6.2.11. *Inventory control*

The value of closing stock at the end of March 1984 amounted to Rs. 18.25 lakhs. The maximum and minimum stock limits and reordering levels had not been fixed for various items of spares. Physical verification of stores and spares had not been conducted for the last 3 years with the result that excess/shortages could not be ascertained. The department stated that physical verification would be conducted from 1985-86.

6.2.12. *Manpower analysis*

(i) According to norms, three sets of crew, each comprising one Master, one Syrang, one Driver and 2 Lascars, were required per schedule. A review of the staff strength revealed that the operating crew engaged during 1980-81 and 1981-82 was in excess of requirement as shown below:—

Year	No. of schedule	Total strength required	Staff available					Excess staff held				
			Mas- ter	Syr- ang	Dri- ver	Las- car	Total	Mas- ter	Syr- ang	Dri- ver	Las- car	Total
1980-81	47	705	147	149	150	298	744	6	8	9	16	39
1981-82	52	780	162	162	162	324	810	6	6	6	12	30

The expenditure on pay and allowances of the excess staff during the two years amounted to Rs. 3.94 lakhs (approximately).

(ii) The staff strength of the Repair and Maintenance Section increased from 95 in 1980-81 to 99 in 1984-85. No norms had been fixed for the output of labour. As indicated in sub paragraph 5(ii) above, several repair works were entrusted to private contractors on piece-rate basis, justification for which could not be assessed in the absence of yard-sticks.

In addition to the regular staff of Repair and Maintenance Section, the department was also engaging operating staff in dockyard for repair work. On an average, 11 members of operating staff (one Syrang, two Drivers and eight Lascars) were thus engaged. Unlike the regular employees of the section, this operating staff was paid a daily allowance 'repair batta', which was not covered by any rules. Unauthorised payment on this account during the five years up to 1984-85 amounted to Rs. 0.44 lakh.

6.2.13. *Pending claims of Fisheries Department*

Mention was made in paragraph 60(8) (i) of the Report of the Comptroller and Auditor General of India for 1974-75 about (i) an order placed in March 1973 by the department with the Kerala Fisheries Corporation Limited for construction and supply of 20 passenger boats at a total cost of Rs. 24.50 lakhs, (ii) payment of advance of Rs. 18.75 lakhs by the department to the Corporation up to June 1974, (iii) transfer of the boat building yards of the Corporation to the Fisheries Department in January 1975, (iv) non-delivery of the boats to the State Water Transport Department by the Fisheries

Department and (v) the condition regarding levy of penalty at the rate of Rs. 100 per week per boat for every week of delay in completing each stage of construction. The boats were subsequently delivered by the Fisheries Department between April and November 1976. In March 1977, the Director of Fisheries forwarded a bill for Rs. 32 lakhs towards the cost of supply including 30 per cent escalation and certain other minor claims. After adjusting Rs. 21 lakhs already paid, the net amount claimed by the Fisheries Department was Rs. 11 lakhs. The claim was not yet settled by the State Water Transport Department, pending decision of Government on price escalation, waiver of penalty for belated supply, etc.

6.2.14. *Material retrieved from boats repaired/reconstructed*

To prevent corrosion, bottom hulls of boats are covered with copper/aluminium alloy sheets. Large quantities of rivets, pipes, rods, screws and washers made of copper, brass and aluminium are also used in the construction of boats. Though during repair/reconstruction of boats, the copper/aluminium sheets, pipes, rods, screws, etc., would require replacement, the old sheets, scraps, etc. retrievable from the boats were not assessed before taking up the works nor were the materials retrieved properly accounted for.

The table below indicates the details of brass and copper cut pieces retrieved and accounted for in the stores ledgers for the period from 1978-79 to 1983-84.

<i>Year</i>	<i>Opening balance (kg.)</i>	<i>Receipts (kg.)</i>	<i>Issues (kg.)</i>	<i>Closing balance (kg.)</i>	<i>Remarks</i>
1978-79	61	311	337	35	Discrepan-
1979-80	35	405	440	..	cies from
1980-81	..	78	862	..	1980-81 on-
1981-82	..	87	700	..	wards had
1982-83	..	611	514	97	not been
1983-84	97	128	921	..	reconciled.

The boat from which the items were retrieved could not be identified. Further, the issues exceeded receipts during 1980-81, 1981-82 and 1983-84, indicating that all the receipts had not been correctly brought to account.

Between April and November 1976, the department constructed 20 passenger boats covering their bottom hulls with an estimated quantity of 9500 kg. of copper sheets. These hulls were all reconstructed during the

period from 1977-78 to 1981-82, replacing the copper sheets with aluminium alloy sheets. The quantity of retrievable copper sheets was not assessed before taking up the work. No records/accounts of the copper sheets actually retrieved from these boats were available with the department.

A quantity of 2,513 kg. of unserviceable copper sheets and rivets accumulated up to 1979 was disposed of in July 1981 on the basis of auction-cum-tender. The quantity of unserviceable copper sheets retrieved thereafter and kept in stock could not be ascertained in the absence of proper accounts/records.

During the period 1980-81 to 1984-85, 87 boats were repaired/reconstructed. A quantity of 4,567 kg. of magnesium aluminium alloy sheets was issued to replace the bottom hull sheathings of the boats repaired. However, there were no records/accounts to show the quantity of old sheets retrieved from these boats.

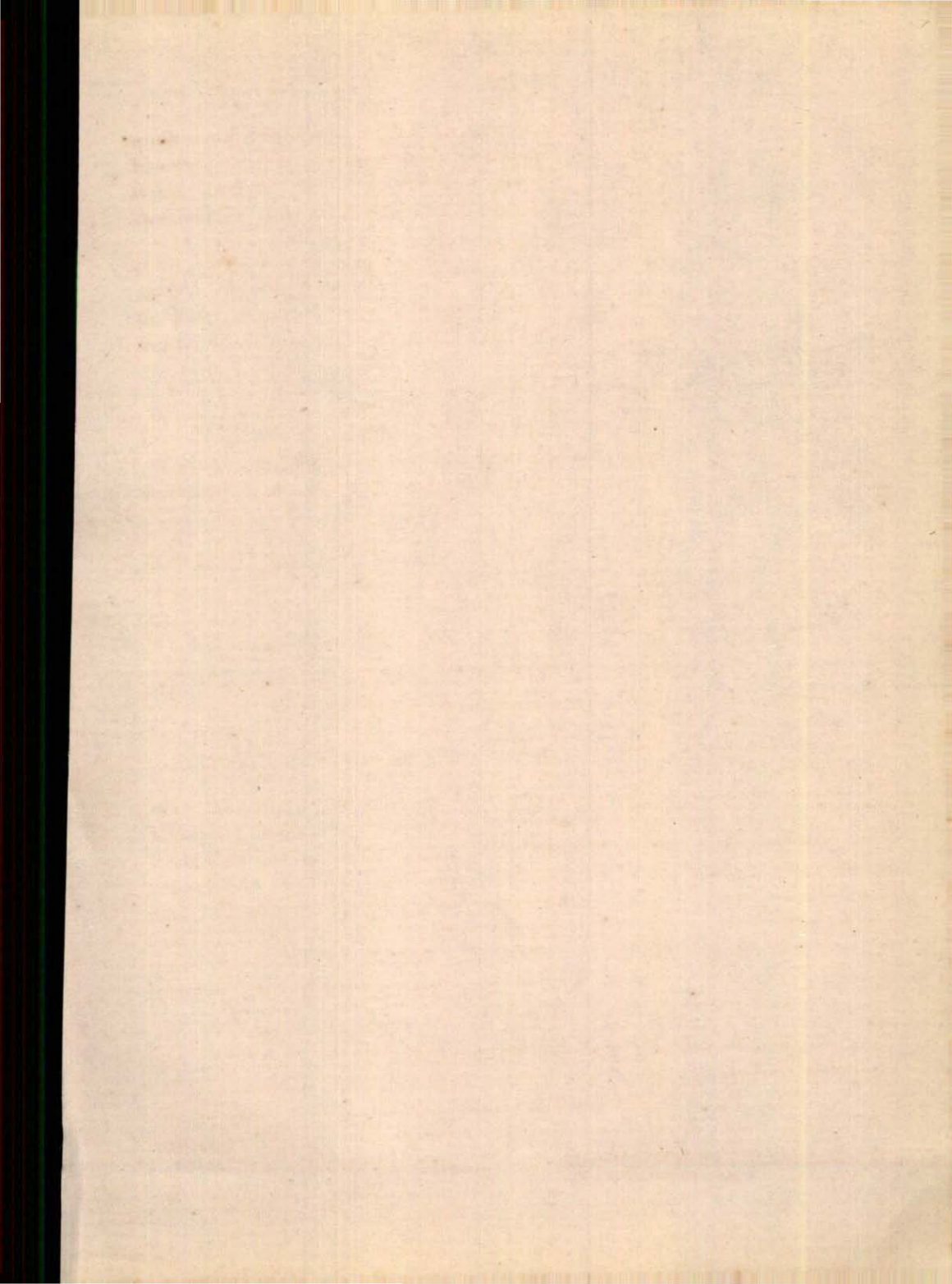
The department was maintaining an 'old parts register' from 12th November 1981 in which the weights of the scrapped parts were separately indicated up to 11th November 1983. Thereafter, the scrap content of old parts retrieved has not been indicated in the register separately.

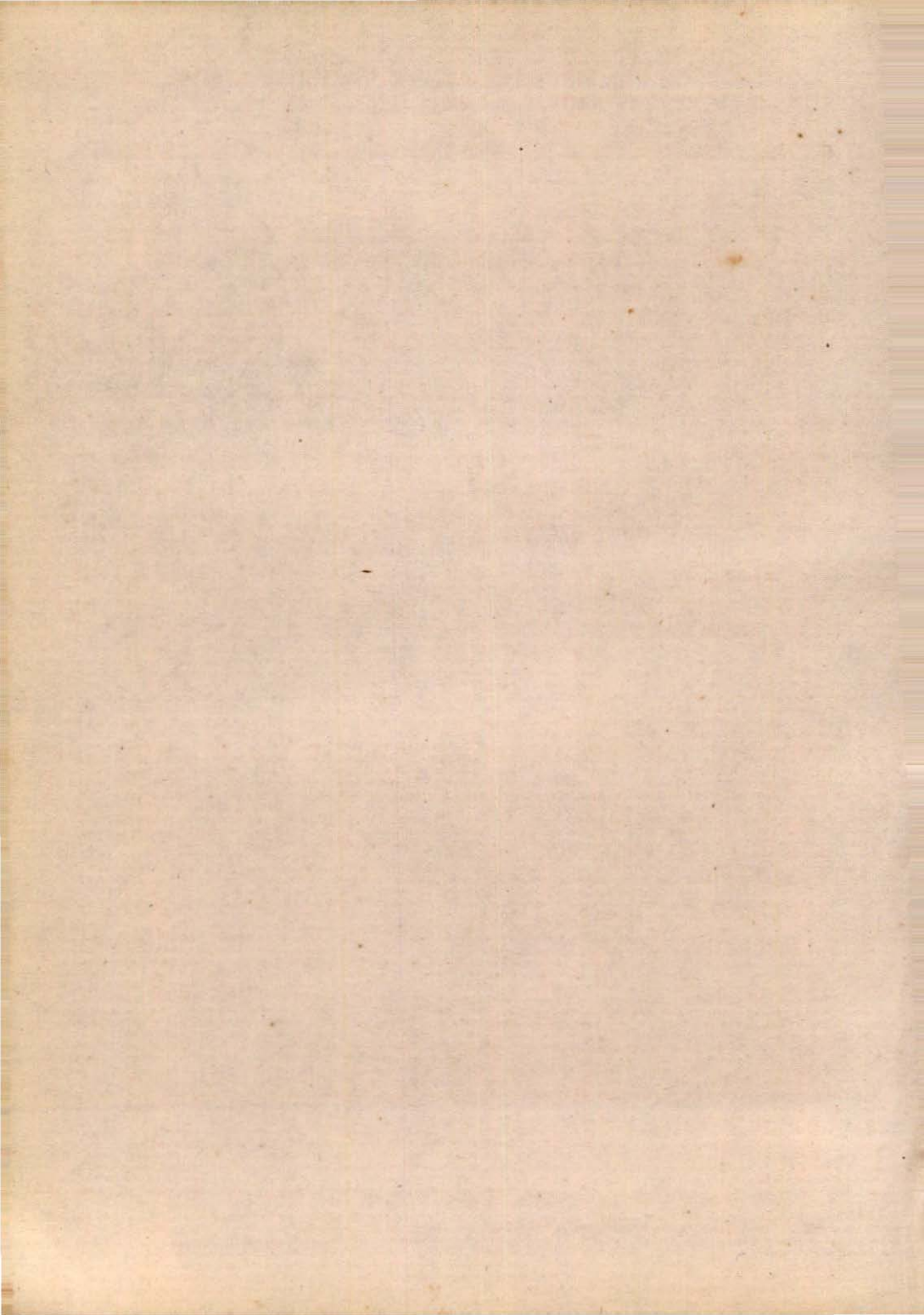
Government stated (January 1986) that action was being taken for the proper accounting of the retrieved spares, scraps, etc.

6.2.15. *Operation of boats without valid fitness certificates*

According to the rules for operation of boats in public canals and backwaters of Kerala, the boats intended for passenger services should bear valid fitness certificates, which are issued by the Chief Inspector of Boats for 6 months at a time, in Form D1 (as to the fitness of machinery and competency of operating crew) and in Form D2 (as to the stability of boat and equipment). The certificates are intended to ensure the safety of the passengers. During the period from September 1984 to May 1985, the department operated 26 boats for periods ranging from two to eight months, without obtaining the required fitness certificates.

On inspection of one such boat at Kottayam on 7th February 1985, the Chief Inspector of Boats found that its fitness certificate had expired on 6th September 1984 and that its hull leaked profusely and its engine required major overhauling. Though this was reported to the Director on 15th February 1985, the boat was docked for repairs only on 24th February 1985.





6.2.16. *Accounts and audit*

(i) *Delay in finalisation of accounts*

The *pro forma* accounts had so far been finalised only up to 1980-81 (June 1985). The *pro forma* accounts for 1981-82 though prepared by the department, could not be certified in Audit, as they were found to be defective.

(ii) *Internal audit*

Internal audit was confined to checking of establishment payments, daily collections and remittances and did not cover other important items such as stores accounts, timber accounts, fuel accounts, annual physical verification of stock, etc.

Summing up

During the 5-year period ending 1984-85, the expenditure on State Water Transport Department exceeded receipts by Rs. 1,64.38 lakhs.

The average loss per kilometre operated rose from Rs. 0.55 in 1980-81 to Rs. 1.46 in 1984-85.

Between 28 and 36 *per cent* of available boat days were lost annually due to poor maintenance of boats.

As against the norm of 90 days per boat, the average time taken for repairing boats ranged between 197 and 296 days in different years. Number of boat days lost due to delay in repairs was over 14,000 during the 5 years up to 1984-85.

Loss due to operation of 2 uneconomic services between places connected by road during the period from 1981-82 to 1984-85 amounted to Rs. 15.57 lakhs.

Though there is a dock and repair yard, several boats were got repaired through private contractors on piece-rate basis, incurring labour charges of Rs. 2.5 lakhs.

There was no machinery in the department to ensure fuel consumption within the norms.

Against sanction accorded by Government in November 1976 for construction of 20 boats at an estimated cost of Rs.30 lakhs, only 18 boats have

been constructed; work on remaining 2 boats is yet to be completed. On account of delay, the estimated cost of construction of the 20 boats has gone up to Rs. 61 lakhs.

The operating crew engaged was in excess of requirements; pay and allowances paid to the excess staff for 2 years (1980-81 and 1981-82) amounted to Rs. 3.94 lakhs.

There was no proper accounting of materials retrieved from boats reconstructed.

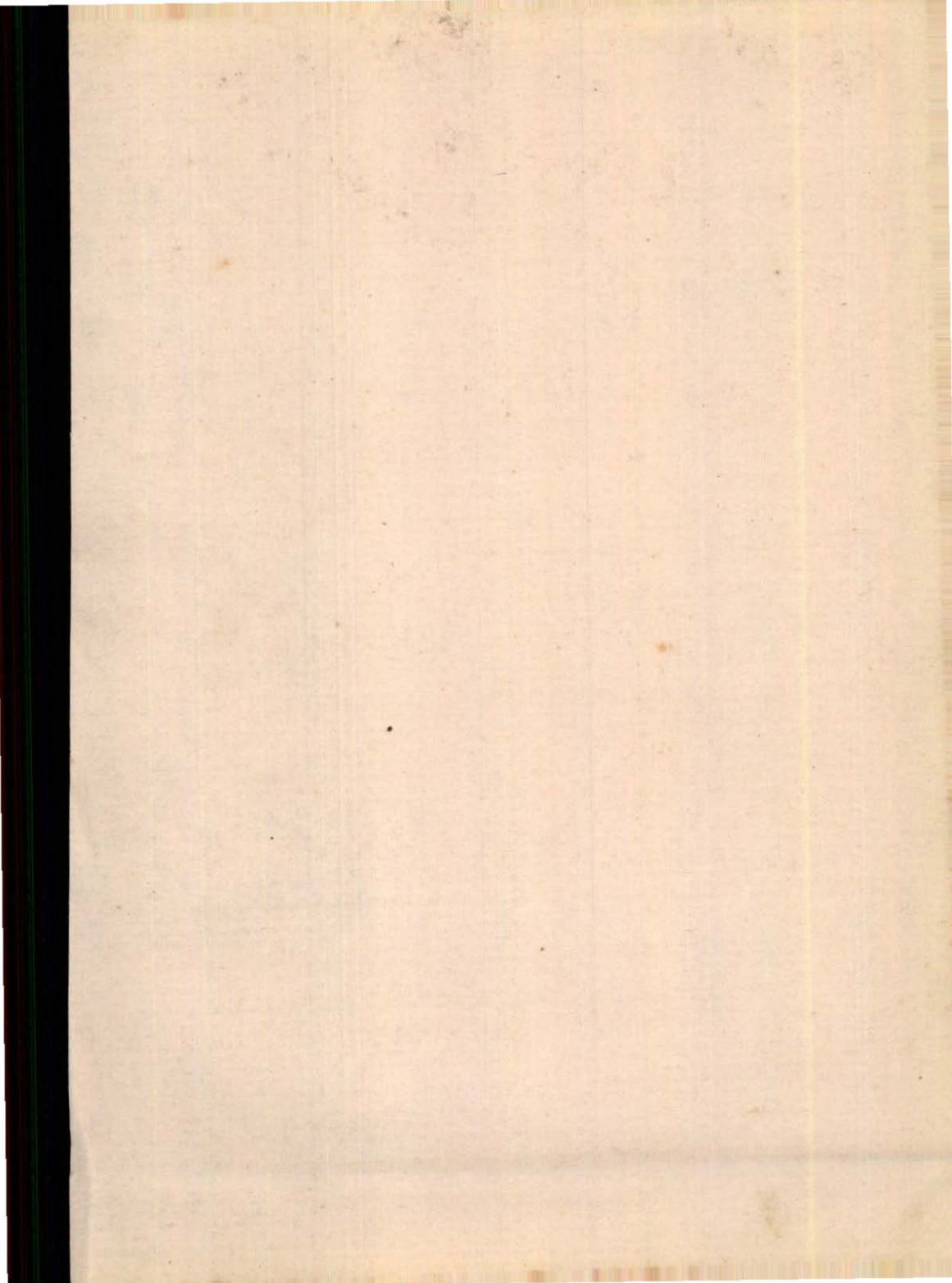
Between September 1984 and May 1985, the department operated 26 boats without obtaining fitness certificates from the Chief Inspector of Boats.

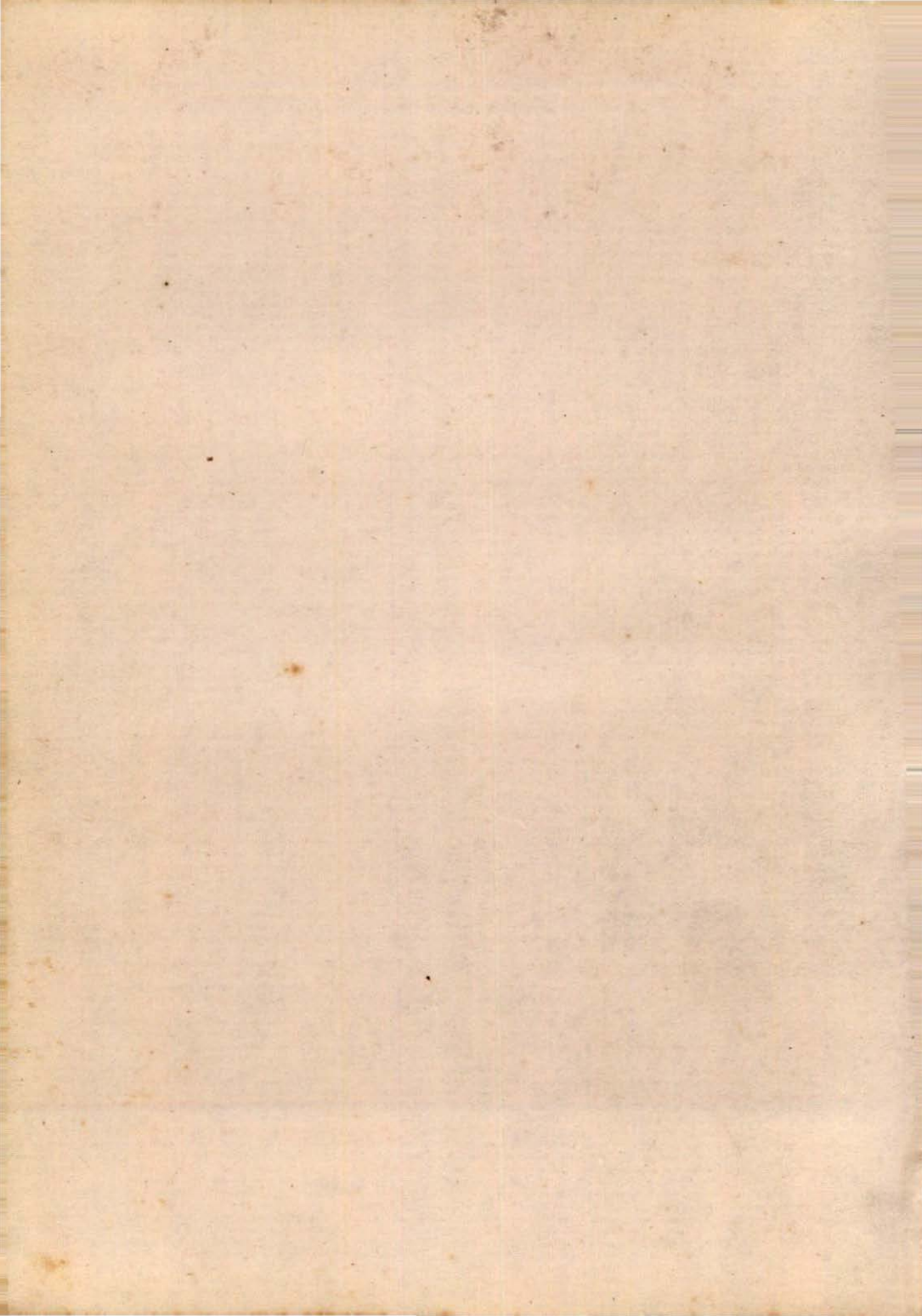
GENERAL EDUCATION DEPARTMENT

6.3. Loss due to revision of text books

In August 1983, when Government was considering a proposal to change the syllabus of core subjects taught in Standards V and VIII and to revise the text books on those subjects with effect from the academic year 1984-85; the Director of Public Instruction brought to the notice of the Government that the text books then in stock (value: Rs. 48.70 lakhs) and sufficient to meet the requirements during 1984-85 would be rendered obsolete by the proposed revision of syllabus. However, with effect from 1984-85, Government revised the syllabus rendering obsolete 17.35 lakh copies of nine text books with an aggregate price of Rs. 42.66 lakhs.

In February 1985, the Director of Public Instruction reported to Government that he had directed the District Educational Officers and other officers in-charge of central text book stores to dispose of the obsolete books as waste paper. This was ratified by Government in May 1985. Information about the actual disposal of the obsolete books and the amount fetched on their sale is awaited from the department (January 1986).





CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION I

7.1. General

This chapter deals with:

- (i) results of audit of bodies and authorities substantially financed by grants and/or loans,
- (ii) results of scrutiny of procedure for watching fulfilment of conditions governing grants and/loans paid for specific purposes, and
- (iii) investments in, and financial assistance to, co-operative societies.

SECTION II

7.2. Bodies and Authorities substantially financed by Government grants and loans

According to Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the bodies/authorities substantially financed by grants or loans from the Consolidated Fund are to be audited by the Comptroller and Auditor General of India. A body/authority is, for this purpose, deemed to be substantially financed from the Consolidated Fund if the aggregate of grants and loans to it in a financial year is not less than Rs. 25 lakhs (Rs. 5 lakhs up to 1982-83) and the amount of such assistance is not less than 75 per cent of the total expenditure of that body/authority.

Government and Heads of Departments are to furnish to Audit every year information about (i) grants and loans given to various bodies and authorities in each financial year and (ii) the expenditure incurred by the recipient bodies/authorities. This is intended to enable Audit to identify the bodies/authorities attracting audit under Section 14 of the Act. Though Heads of Departments were required in (April 1985) to furnish the information in respect of grants/loans paid during 1984-85, the requisite details were still awaited (October 1985) from 7 departments of Government and 17 Heads of Departments. On the basis of information received from others, the details of the number of bodies/authorities which received grants/loans of not less than Rs. 25 lakhs

in a year during the years from 1983-84 to 1984-85 and the extent of arrears in receipt of the accounts from them are shown below:

	1983-84	1984-85
(i) Number of bodies/authorities which received grants/loans of not less than Rs. 25 lakhs per annum	74	54
(ii) Out of the bodies/authorities mentioned at (i) above, the number from which accounts have been received	41	31
(iii) Out of the bodies/authorities mentioned at (i) above the number from which accounts have not been received	33	23

Apart from the above, 174 accounts for old periods upto 1982-83 were still awaited from 151 institutions which had received grants/loans of not less than Rs. 5 lakhs during the respective years (October 1985).

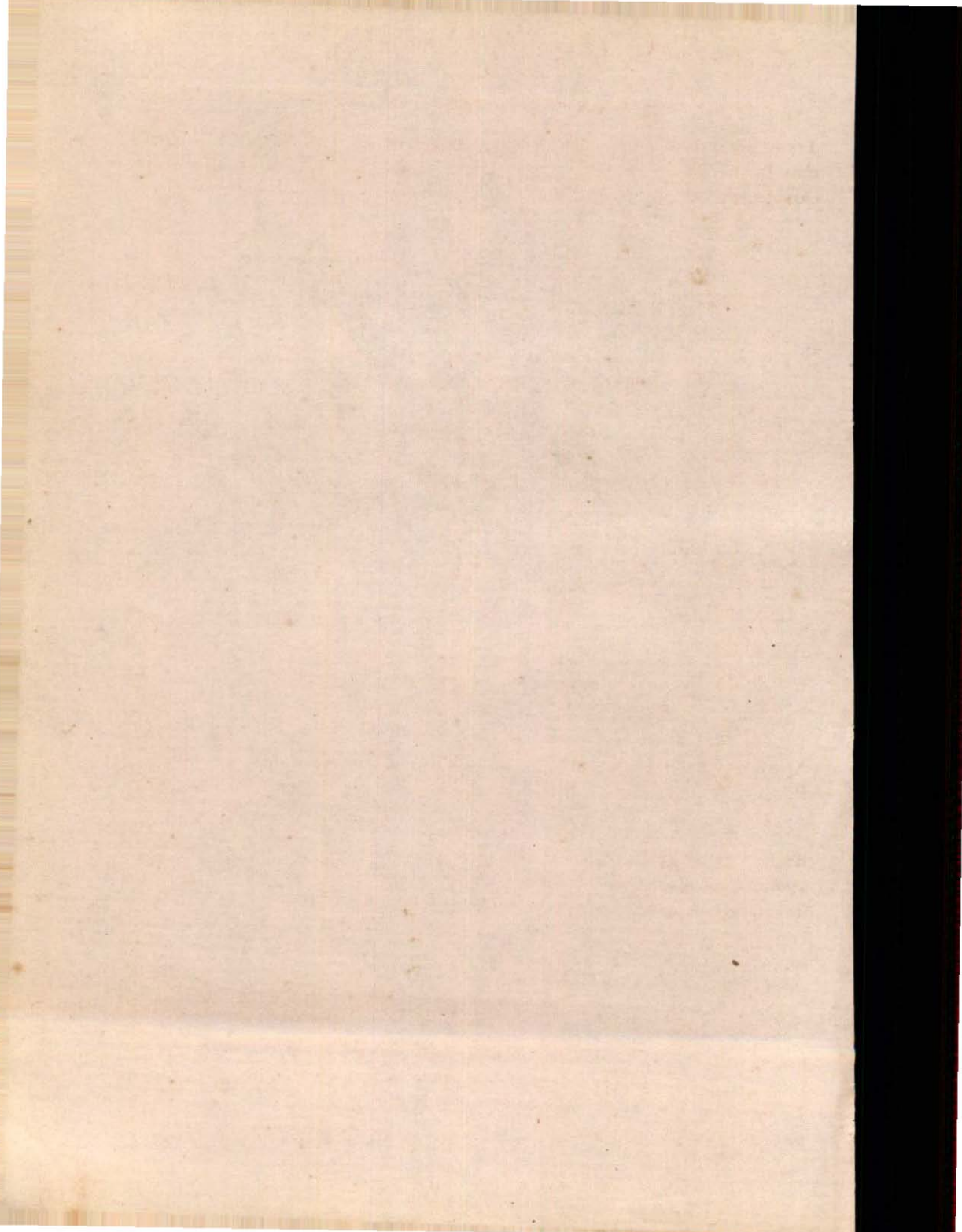
PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

7.3. Centre for Earth Science Studies

The Centre for Earth Science Studies (CESS) was established by Government in March 1978 as a society registered under 'Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955', with the object of carrying out basic and applied research in the field of earth sciences. The responsibility for the control, administration and management of the affairs of CESS is vested in a Governing Body consisting of 16 members with the Chief Minister as chairman. There is an Executive Committee consisting of 5 members to manage its day-to-day affairs. The Director of CESS, who is its chief executive, is nominated by Government. CESS has 5 main scientific divisions namely:—

- (1) Atmospheric Sciences Division,
- (2) Geosciences Division,
- (3) Marine Sciences Division,
- (4) Resources Analyses Division and
- (5) Environmental Sciences Group.

The scientific activities of CESS are guided by a Scientific Advisory Committee constituted for each division. CESS has its headquarters at



Trivandrum and a regional centre at Ernakulam. CESS is financed almost entirely by grants from the State Government. The details of income and expenditure for the years 1980-81 to 1984-85 were as follows:

Year	Income			Expenditure		
	Grant from State Government	Grant from other sources and miscellaneous income	Total	Revenue (excluding depreciation)	Capital	Total
	(Amount in lakhs of rupees)					
1980-81	67.97	3.80	71.77	28.73	49.48	78.21
1981-82	70.00	0.45	70.45	35.53	23.17	58.70
1982-83	53.00	0.80	53.80	39.52	22.73	62.25
1983-84	70.00	0.46	70.46	45.22	14.23	59.45
1984-85	85.00	1.48	86.48	54.87	40.61	95.48
Total	3,45.97	6.99	3,52.96	2,03.87	1,50.22	3,54.09

An audit review of the receipts and expenditure of CESS conducted in April 1985 under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, revealed the following:—

(1) According to the rules and regulations of CESS, the Governing Body is to meet at least once annually. Similarly in terms of the rules as amended in December 1981, the Executive Committee is to meet at least once in a quarter. The prescribed periodicity had not, however, been observed in convening the meetings of the Governing Body/Executive Committee in some years. While the Executive Committee met only thrice during 1982-83, the Governing Body did not meet even once during 1983-84.

(2) Under the rules and regulations of CESS, the Executive Committee has to frame its budget every year before the commencement of the financial year and place it before the Governing Body for consideration and adoption. In terms of the rules framed by Government, the amount of annual grant payable to CESS during each year is to be determined by Government

after taking into account the receipts and expenditure for the previous years as also the anticipated receipts and expenditure for the year as shown in the budget estimates of CESS. However, there were instances of release of grant without observing the prescribed procedure, as indicated below:

<i>Year of release of grants</i>	<i>Nature of deviation</i>
1980-81	Grants were released before preparation of budget estimates for the year by the Executive Committee and adoption thereof by the Governing Body.
1981-82	Budget estimates for the year were not presented to the Executive Committee as there was no meeting of the Committee between December 1980 and November 1981.
1982-83 and 1984-85 (first instalment)	The grants were released before adoption of the estimates by the Governing Body.

In the circumstances, the basis adopted by Government for determining the quantum of grant payable to CESS during these years is not known.

(3) Various divisions of CESS have undertaken 25 projects (comprising 45 programmes) to end of 1984-85. The Scientific Advisory Committee constituted for each division meets in March every year for evaluating the progress of various projects and formulating guidelines for the next year. Government stated (November 1985) that out of the 25 projects taken up to end of 1984-85, 5 projects (with 5 programmes) were later dropped and that all the remaining projects had been completed to the extent of set targets but were being continued with fresh targets. No expenditure was stated to have been incurred on the five projects which were dropped.

There was no system in CESS to monitor the progress of expenditure on each project to ensure its completion within the time frame and cost estimated at the time of its commencement, assess the time/cost over-run, if any, and examine the attendant consequences. The Director stated (January 1986) that the projects were at present being monitored at all levels, i.e., at the division level by the Heads of Divisions and further by the Director and the Advisory Committees.



(4) Eleven items of sensitive scientific instruments costing Rs. 8.91 lakhs purchased by CESS during 1979-83 were lying largely or totally unused (May 1985), as detailed below:—

(i) Four items of wave and tide telemetering system (cost: Rs. 0.39 lakh) and five of printing voltmeters (cost: Rs. 0.36 lakh) were purchased during 1979-81 and installed in 4 coastal laboratories under the Regional Centre, Ernakulam in 1980 for measuring and monitoring waves and tides. The tide information coming from the telemetering system was to be monitored and got printed by the printing voltmeters at regular intervals. All the systems worked only for less than three months, except one system which worked for about a year. The cause of their non-performance was traced to the failure of the electronic and printing motor in the printing voltmeter. The equipment was got repaired many times, but failed to operate in the corrosive atmosphere of the coastal laboratories. Thus the programme of monitoring of tides was practically a total failure. The equipments purchased at a cost of Rs. 0.75 lakh remained unutilised, three items from 1981 and the fourth from 1982.

(ii) A position fixing equipment (mini-ranger system) required by the Marine Sciences Division of the Centre was procured in June 1982 at a cost of Rs. 7.84 lakhs from a foreign firm after testing, commissioning, training, etc., by the Indian agents of the suppliers. In December 1983, while conducting an experiment using the equipment aboard a hired boat, the boat capsized. Though all the instruments were retrieved, the main unit of the equipment costing over Rs. 5 lakhs (console unit and receiver transmitter) went out of order. No insurance cover had been provided for the equipment although it was intended to be used for operation in the sea.

The Indian agents of the suppliers offered (June 1984) to repair the equipment at a cost of Rs. 1.31 lakhs (including Rs. 1.07 lakhs towards cost of spares to be imported). CESS decided only in September 1984 to purchase the spares and get the equipment repaired. In February 1985, CESS decided to import the spares at a cost of \$ 10,761 (Rs. 1.42 lakhs). Certificates regarding exemption from customs duty and non-manufacture in India, were obtained for the purpose in March 1985. Further developments are awaited (May 1985).

(iii) CESS placed a purchase order (February 1983) with a foreign firm for one DATEL cassette reader LPR-16-3E-D64-B for use in its regional centre at Ernakulam. The cassette reader, which was intended for analysing

the wave data stored in digitalised form in cassette-tapes, was received in October 1983. The total expenditure incurred for its procurement including agency commission, freight, insurance, etc., was Rs. 0.32 lakh. Certain major defects were noticed in the equipment in December 1983. Though the matter was taken up with the Indian agents of the suppliers, the equipment has not been repaired so far (November 1985) and is remaining idle from the date of purchase. CESS stated (October 1985) that as engineers of the Indian agents of the firm could not identify the snag, they had sought the guidance of the foreign manufacturer for rectification of the defects.

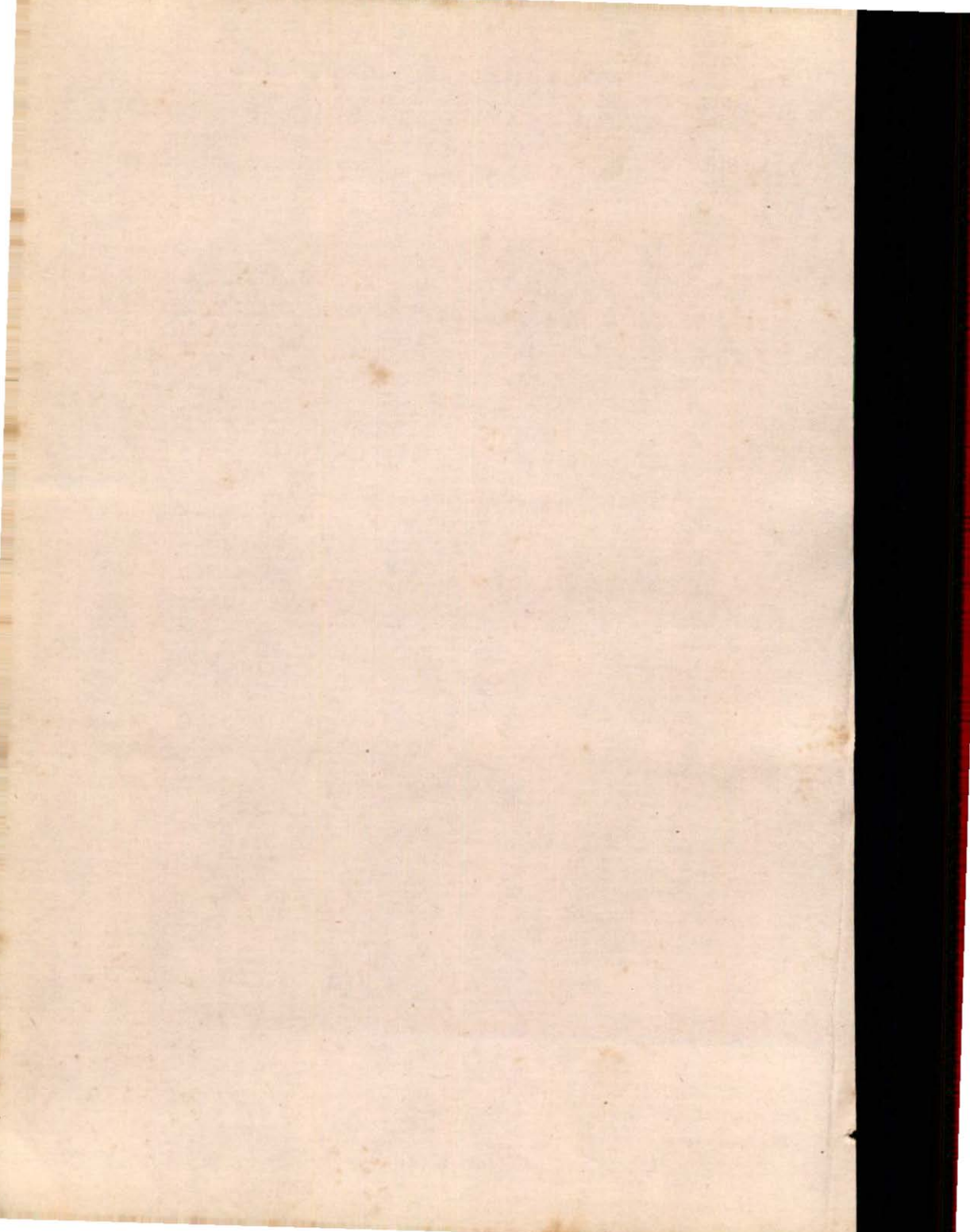
(5) CESS placed orders (November 1980) for supply of 25 items of electronic sensors and monitoring unit for coastal oceanographic data acquisition system (CODAS) with a private firm in India for Rs. 1.46 lakhs. No definite delivery period was specified in the purchase order. In May 1982 the firm supplied the items which were taken delivery of by the regional centre, Ernakulam. The scientist in charge of the centre certified in June 1982 that all the articles specified had been received in good condition and brought to stock. Subsequently, however, a team of scientists from CESS after inspection reported (July 1983) that the calibration curves of sensors, navigational lights, service/inspection manual, etc., had not been supplied and that the absence of direction sensors would mar the picture from the vector quantities. CESS stated (December 1985) that (i) against supply received for Rs. 1.11 lakhs, the firm had been paid only Rs. 0.50 lakh, (ii) the balance had not been paid pending supply of the remaining items; and (iii) though the programme would become complete only when the sensors were provided, the existing system had been put to use for monitoring a wide range of parameters. It was, however, seen that the equipment remained unused for over 30 months owing to delay (up to February 1983) in fabrication and supply of CODAS tower (cost: Rs. 0.24 lakh) and delay (up to December 1984) in laying cables and erection of CODAS tower (cost: Rs. 0.17 lakh).

The views of CESS referred to above were endorsed by Government in December 1985.

SECTION III

7.4. Grants and loans for specific purposes

Where any grant or loan is given for any specific purpose from the Consolidated Fund, Section 15 of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, provides for scrutiny



by Audit of the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions governing such grants and loans.

Important points noticed on a scrutiny under Section 15 are given in the succeeding paragraphs.

REVENUE DEPARTMENT

7.5. Financial assistance to Kerala Wakf Board

In November 1984, Government sanctioned a special grant of Rs. 15 lakhs to the Kerala Wakf Board for its social welfare activities. The grant was disbursed on 30th March 1985 by crediting the amount to the Personal Deposit Account of the Board at the District Treasury, Ernakulam. No amount out of the grant has been utilised by the Board so far (July 1985).

On a scrutiny of the records of the sanctioning authority, the following points were noticed:—

(i) There was no written application from the Board for special grant of Rs. 15 lakhs. Government stated (July 1985) that the grant was sanctioned on the basis of informal representations from the members of the Board and other persons interested in the functions of the Board. According to a resolution passed by the Board in December 1983, the assistance required by it was Rs. 10 lakhs—Rs. 5 lakhs as grant and Rs. 5 lakhs as loan, which was intimated by the Board while forwarding a copy of its budget in February 1984. Compared to the assistance anticipated by the Board, the grant released was excessive.

(ii) The grant was sanctioned without ascertaining the details of the schemes proposed to be undertaken with the grant.

(iii) In June 1985, Government informed the Board that the special grant should be utilised only for the social welfare activities for which rules would be framed by Government. The rules have not been framed yet (July 1985). This was attributed by Government to failure on the part of the Board in submitting a comprehensive and viable scheme of social welfare activities.

(iv) No bond/agreement has been executed by the Board for the proper utilisation of the grant.

Government stated (August/October 1985) that the details of the welfare schemes to be implemented by the Wakf Board would be finalised after ascertaining the position in the neighbouring States.

AGRICULTURE/INDUSTRIES DEPARTMENT

7.6. Financial assistance provided to bodies

Some irregularities noticed in respect of financial assistance provided to the following two bodies are enumerated against each:—

<i>Name of the body and details of financial assistance provided</i>	<i>Points noticed</i>
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AGRICULTURE DEPARTMENT

1. The Kerala Land Development Corporation Limited (a State Government Company)

Loan of Rs. 19 lakhs was given to the company in April 1983 to enable it to make payment to a contractor in satisfaction of a court decree.

(i) The loan sanctioned was drawn by the Company in May 1983 although it had discharged the decretal liability in January 1983 itself, i.e., 3 months before the loan was sanctioned.

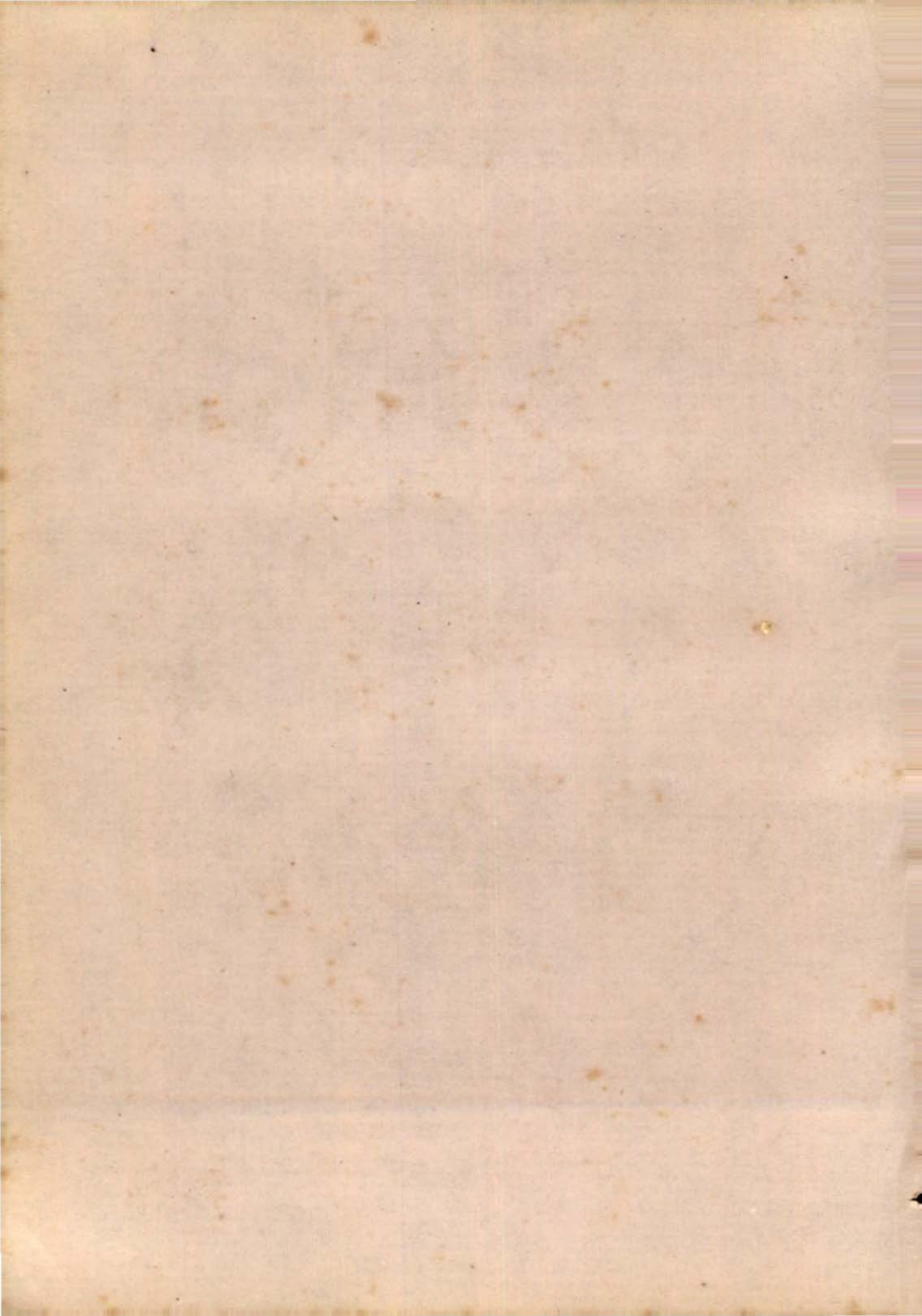
(ii) The first instalment of repayment of the loan which fell due in May 1984 was remitted in March 1985. No further amount has been repaid (June 1985). Government directed the company in August 1985 to remit penal interest on belated instalments and stated (November 1985) that the outstanding dues would be realised during the course of the year.

INDUSTRIES DEPARTMENT

2. Kerala State Textile Corporation Limited (a subsidiary company of a State Government company, namely, Kerala State Industrial Development Corporation Limited)

Financial assistance aggregating Rs. 3,50 lakhs

(i) Sanction for setting up 5 textile mills with 12,000 spindle capacity each was accorded by Government in January 1982. Later, finding that spinning mills with less than 25,000 spindle capacity were not technically and economically feasible, the company



(equity: Rs. 2,30 lakhs; loan: Rs. 1,20 lakhs) was sanctioned between June 1983 and March 1985 for establishment of 5 new spinning mills and modernisation of 3 sick textile mills.

revised the project reports for two of the textile mills (Kerala Textiles at Uduma and Edarikode Textiles at Edarikode), enhancing the capacity to 25,000 spindles each. While approving (February 1985) the revised project reports of the two mills, Government ordered the company not to take steps to start any other textile mills in the State for the present. As a result, expenditure of Rs. 1.82 lakhs (land: Rs. 0.76 lakh; civil works: Rs. 0.60 lakh; other fixed assets: Rs. 0.05 lakh and pre-operative expenses: Rs. 0.41 lakh) incurred on another mill (Venad Textiles, Alleppey) remained unfruitful. Government stated (December 1985) that the project had only been kept in abeyance and not dropped.

(ii) While releasing the assistance of Rs. 1,25 lakhs in 1983-84, Government had stipulated that the amount should be utilised only for the establishment of new textile mills. The company, however, diverted Rs. 23.51 lakhs for the old mills during 1984-85.

(iii) Out of the total assistance of Rs. 3,50 lakhs (including Rs. 1,25 lakhs received during 1983-84), Rs. 50 lakhs were adjusted against Government dues. Of the balance of Rs. 3,00 lakhs, the Company utilised only Rs. 2,02.43 lakhs (land,

civil works, plant and machinery for new mills: Rs. 67.01 lakhs; advance for supply of machinery to new mills: Rs. 65.25 lakhs; modernisation of three sick mills: Rs. 70.17 lakhs) till June 1985.

(iv) The company was to mobilise institutional finance of Rs. 7.63 lakhs for setting up the new mills. However, no such finance has been raised yet.

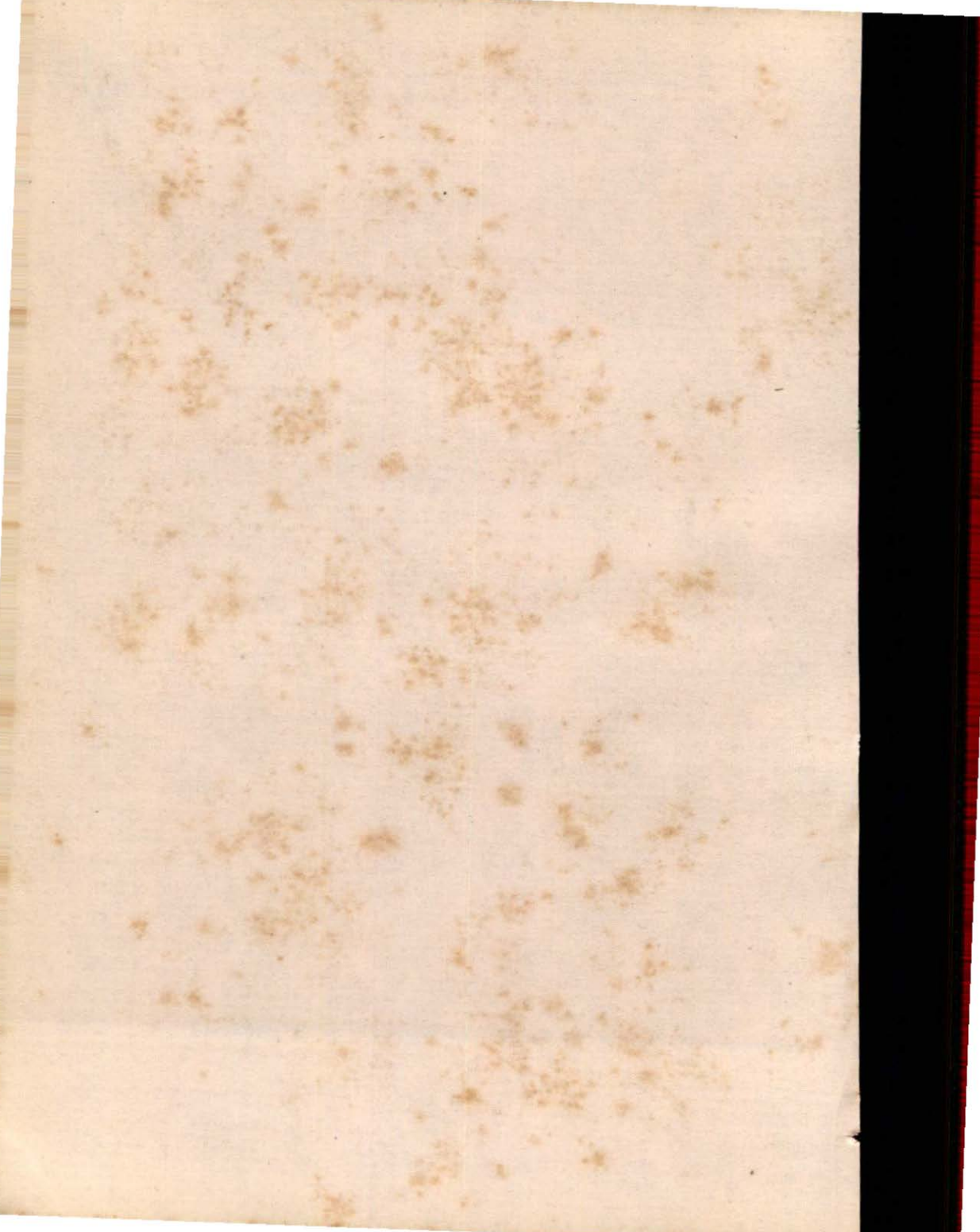
AGRICULTURE DEPARTMENT

7.7. Short term loan for purchase and distribution of agricultural inputs

During 1983-84, Government of India gave 4 short-term loans aggregating Rs. 3.00 lakhs (Rs. 35 lakhs in May 1983, Rs. 1.15 lakhs in June 1983, Rs. 1.25 lakhs in September 1983 and Rs. 25 lakhs in January 1984) to the State Government for the purchase and distribution of agricultural inputs like fertilisers, seeds and pesticides. Each loan was to be repaid in lump together with interest on expiry of six months from the date of its drawal.

The State Government were to pass on the amounts, within 30 days of drawal, to institutional agencies, who, in turn were to provide assistance in kind to farmers/groups of farmers. The scheme was implemented by the State Government through the Kerala State Co-operative Marketing Federation Limited, Ernakulam (Federation). The loan of Rs. 25 lakhs paid in January 1984 has not been passed on to the Federation yet; there was delay upto 5 months in passing on the other loans (Rs. 1.50 lakhs comprising the first two loans were given to the Federation in September 1983 and the third loan of Rs. 1.25 lakhs was given in November 1983). The loans were to be utilised by the Federation for stocking fertilisers for distribution to cultivators through primary co-operative societies. Information about the actual amount utilised by the Federation for the purpose of distribution of agricultural inputs, the quantity distributed, etc., was available neither with Government nor with the Director of Agriculture, who drew the loans and disbursed them to the Federation.





The latter stated (March 1985) that he did not watch utilisation as the Government orders sanctioning the loans did not stipulate any such condition.

The State Government had repaid the entire loan of Rs. 3,00 lakhs with interest (Rs. 8.81 lakhs) to Government of India on the expiry of the stipulated period of six months. But the Federation, which was to repay the loan to the State Government on expiry of six months from the date of drawal, did not do so. The amount due from the Federation as at the end of December 1985 was Rs. 3,27.39 lakhs (principal: Rs. 2,75 lakhs; interest: Rs. 52.39 lakhs). The matter was reported to Government in September 1985; reply is awaited (December 1985).

GENERAL EDUCATION DEPARTMENT

7.8. Extra expenditure due to deviation from Rules

The Kerala Education Rules 1959 lay down that the strength of teaching staff in aided schools shall be fixed by the Educational Officers after finalising the number of divisions of each class based on the effective strength of pupils as on the 6th working day from the re-opening date in June. The strength is verified by the Educational Officers by paying surprise visits to the schools. The actual attendance on the date of visit of the Educational Officer plus a weightage not exceeding 5 per cent of roll strength for absentees is reckoned as the effective strength of the class for fixing the number of divisions and strength of staff. The fixation of staff strength is to be finalised by the Educational Officers not later than 15th July every year or such other date as may be fixed by the Director of Public Instruction from time to time. Under the Rules, an order passed by an Educational Officer, in regard to fixation of staff strength in a school should be scrutinised by specified higher officer and may be revised by him after giving an opportunity of being heard to the persons affected. An order passed by an Educational Officer can also be appealed against by the Manager of the school concerned. There is, however, no provision in the Kerala Education Act/Rules empowering the Educational Officers to make revisits to the schools for the purpose of increasing the staff strength once fixed. But, according to the instructions issued by the Government in July 1977, the Educational Officers may make revisits when they are convinced that there has been undue shortage in attendance on the date of first visit due to flood, outbreak of epidemic, etc., and the Educational Officer has certified at the time of first visit itself that a second visit was necessary to assess the correct strength. In October 1981, Government again clarified that appellate/revisory authorities have no powers to order revisits.

Contrary to these instructions, the Educational Officers increased the staff strength in a number of cases after conducting revisits either on requests from the managers of schools or on the basis of directions from appellate/revisionary authorities including Government for which there was no provision in the Kerala Education Act/Rules. On a test-check in the offices of 12 District Educational Officers and 32 Assistant Educational Officers, it was seen that during the period from 1978-79 to 1983-84, 115 posts were sanctioned in 82 schools based on revisits although the Educational Officers had not certified the need for a revisit at the time of their first visit. Out of the 82 revisits, 44 were at the instance of Government (posts involved: 56). Of the balance, 11 revisits (posts involved: 16) were at the instance of other appellate/revisionary authorities. The remaining 27 revisits (posts involved: 43) were conducted by the Educational Officers merely on the basis of requests from the managers of the schools.

The avoidable expenditure for Government due to sanctioning of additional posts based on revisits to the 82 schools during 1978-79 to 1983-84 worked out to Rs. 10.35 lakhs.

The matter was reported to Government in September 1985; reply is awaited (December 1985).

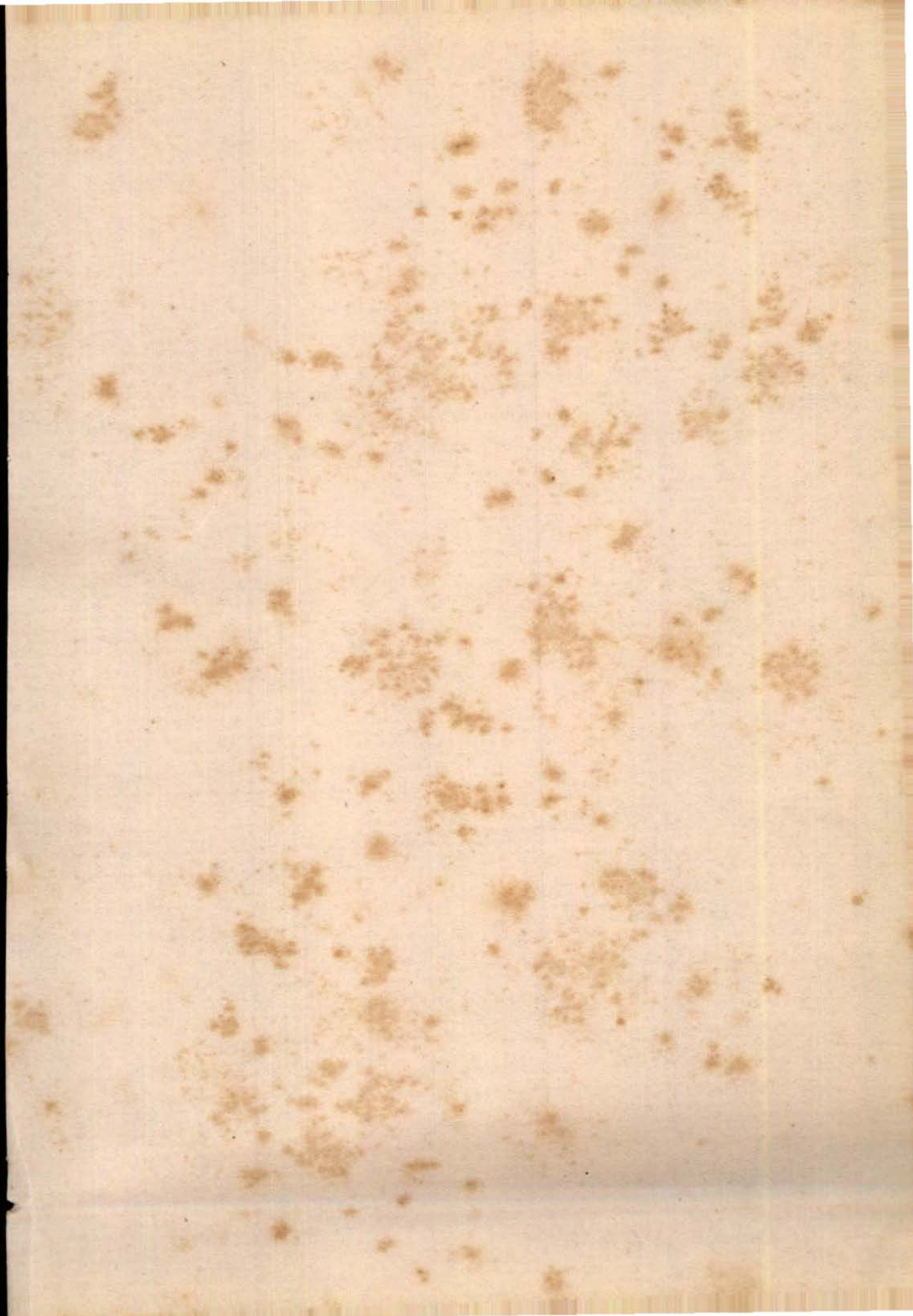
HIGHER EDUCATION DEPARTMENT

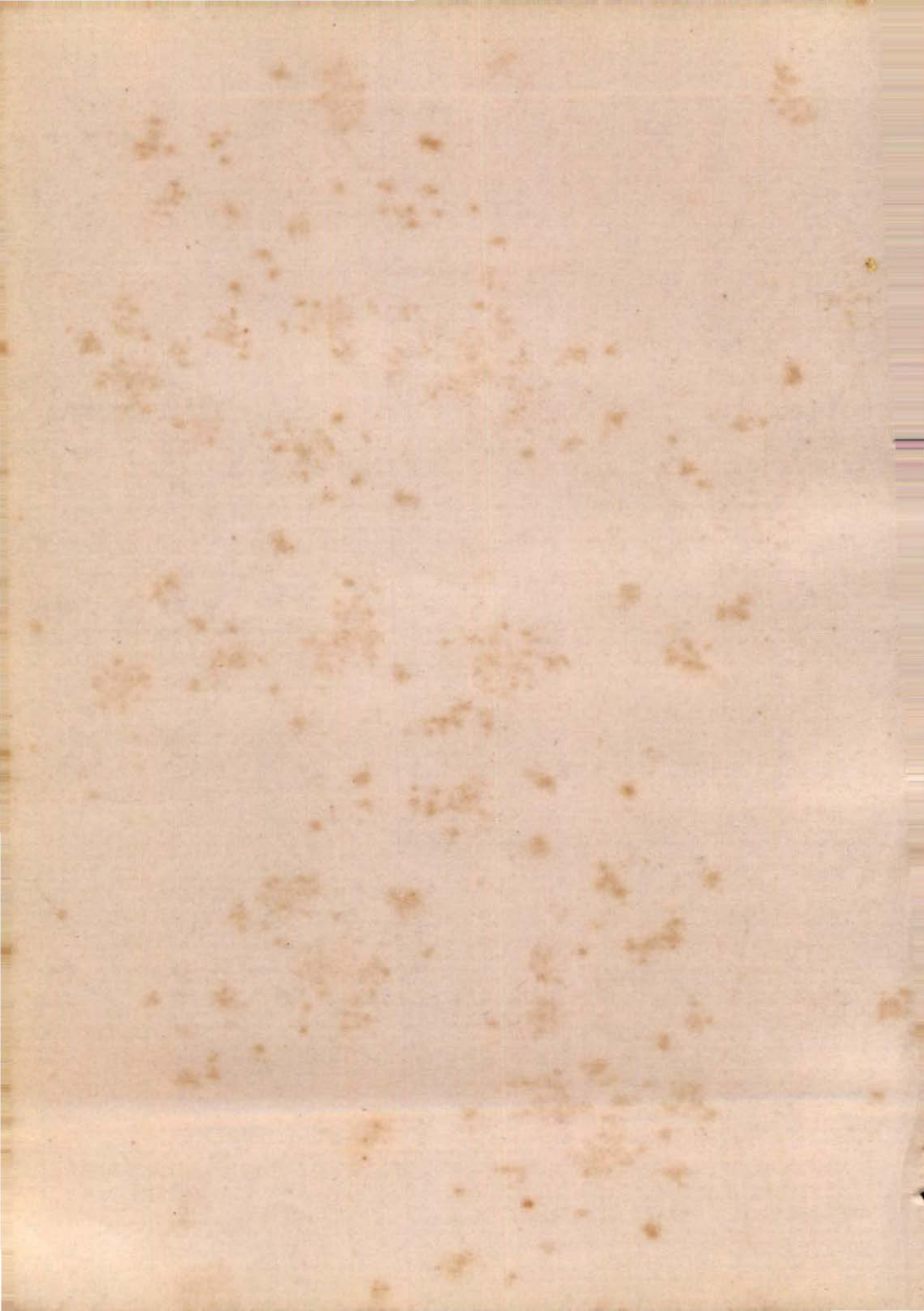
7.9. Kerala Grandhasala Sangham

During the period from 1980-81 to 1984-85, Government released grants aggregating Rs. 1,70.30 lakhs to the Kerala Grandhasala Sangham for various purposes (grants for libraries: Rs. 1,30.94 lakhs; grants for establishment and organisational expenses: Rs. 14.87 lakhs; grants for construction of building: Rs. 8.06 lakhs; grants for Plan schemes: Rs.16.43 lakhs). On an audit scrutiny conducted in May 1985, the following points were noticed:—

7 9.1. *Payment of grants to libraries*

(i) According to the rules for the payment of annual grants to libraries, Government have to constitute Gradation Committees before the end of May every year, which will grade the libraries into different groups for the payment of grants/librarian's allowance, in accordance with the standards laid down by Government. The official member of the gradation committee will furnish utilisation certificate for the annual grant of the previous year and the countersigning officer (Administrative Assistant of the Sangham) will disburse the annual grant for the year after adjustment of





the unutilised portion of the previous year's grants as disclosed in the utilisation certificate. However, after 1978-79, Gradation Committee was not constituted till 18th June 1984 and grants during each year from 1979-80 onwards were sanctioned and paid on the basis of the gradation of the libraries fixed during 1978-79. The utilisation certificate for the previous year's grant was not obtained nor was the unspent balance of the previous year's grant, if any, adjusted from the grant for subsequent years. In the absence of Gradation Committee during the period, it could not be ensured that the libraries continued to be under the same grade as fixed during 1978-79 and that the eligibility for the grant had been determined correctly. The Sangham stated (June 1985) that the official member of the Gradation Committee constituted in June 1984 would verify the utilisation of grants paid and furnish the utilisation certificates.

(ii) There was considerable delay in despatch of demand drafts obtained for release of grants to the libraries. In 82 cases, demand drafts (Rs. 0.72 lakh) obtained between April 1980 and October 1983 for payment to libraries were retained by the Sangham for 12 to 60 months without being released to the libraries or credited back to Government. The non-release of grants after obtaining the demand drafts was stated to be due to non-fulfilment of the prescribed conditions by the libraries. The action of the Sangham in obtaining demand drafts before fulfilment of the conditions by the grantee libraries and in retaining the drafts for long was not in order. Sangham stated (December 1985) that drafts were obtained with a view to utilising the whole amount of annual grant.

(iii) According to an order issued by Government in June 1968, the Administrative Assistant of the Sangham has to conduct test-check of the accounts of 10 per cent of the grantee libraries and report the result to the Accountant General and Government. Out of 450 numbers of libraries (approximately) to be test-checked during every year, the number test-checked during the years 1980-81, 1981-82, 1982-83, 1983-84 and 1984-85 was only 131; 5; 35; 7 and 15 respectively. No report in this regard was sent to the Accountant General or Government. Government stated (January 1985) that the Sangham had been instructed to conduct the test-check of libraries regularly in future.

(iv) The rules governing the payment of furniture and building grant to libraries stipulate that the construction work/purchase of furniture should be completed within one year of the receipt of grant and that the

libraries which do not furnish to the Sangham a statement of account of expenditure within 3 months after completion of construction/purchase of furniture, will be liable to refund the grants received besides forfeiting the claim for future annual grants. But in 54 cases (grant paid: Rs. 2.52 lakhs) relating to the period from 1970 onwards, the accounts and utilisation certificates were not received and no action was taken either to recover the grant or to disallow future grants. The Sangham stated (June 1985) that 50 per cent construction grants given by Government were based on 1966 price level and that most of the grantee libraries were finding it difficult to complete the construction on account of increase in the cost of construction. Government stated in January 1986 that a proposal for enhancing the rate of building grant was under their consideration.

7.9.2 *Payment of grants for establishment and organisational expenses*

Under the rules for the payment of annual grants to the Sangham for meeting establishment and organisational expenses, advance grant is sanctioned each year subject to adjustment on fixation of annual grants based on the recommendation of the Examiner of Local Fund Accounts after audit. The excess grant of Rs. 1.13 lakhs pertaining to the years 1977-78 to 1979-80 had not been adjusted against subsequent grants by Government so far (August 1985). Advance grants amounting to Rs. 14.87 lakhs paid from 1980-81 to 1984-85 were pending adjustment owing to non-completion of audit by the Examiner of Local Fund Accounts and consequently non-fixation of final grant for each year.

7.9.3 *Payment of grants for implementation of Plan Schemes*

Government gives grants to the Sangham for implementation of various Plan schemes like construction of office building, the Bell Bicycle Library Project, inservice training to librarians, etc. Terms and conditions for payment of such grants have not, however, been fixed so far (August 1985). According to the Sangham, in the absence of separate rules, the rules for payment of annual grant are being followed in the case of grants for Plan schemes also. Out of an amount of Rs. 16.43 lakhs sanctioned as grants for Plan schemes from 1980-81 to 1984-85, Rs. 2.37 lakhs still remained unutilised with the Sangham. Sangham stated (December 1985) that as the final grant for each year from 1980-81 to 1984-85 had not been fixed by the Examiner of Local Fund Accounts, the unutilised grants had not been refunded.

The facts stated in the paragraph were confirmed by Government in January 1986.

SECTION IV

Investments in and financial assistance to Co-operative Societies

CO-OPERATION DEPARTMENT

7.10. Financial assistance to Co-operative Societies

(a) Financial assistance in the form of share capital contribution, loans and grants is given by the Government to co-operative institutions. The total investment of Government in the share capital/debentures of co-operative institutions stood at Rs. 48,77.96 lakhs as on 31st March 1985. The balance of loans to such institutions, outstanding at the end of March 1985 was Rs. 58,48.68 lakhs.

Dividends and interest received by Government from co-operative institutions during the three years ended 1984-85 are given in the following table:

<i>Year</i>	<i>Investment as at the end of the year</i>	<i>Dividend received during the year</i>	<i>Percentage of return</i>	<i>Loans outstanding as at the end of the year</i>	<i>Interest received during the year</i>
	<i>(in lakhs of rupees)</i>			<i>(in lakhs of rupees)</i>	
1982-83	41,33.25	18.65	0.45	44,72.79	41.94
1983-84	45,44.73	8.74	0.19	57,97.33	91.98
1984-85	48,77.96	26.76	0.55	58,48.68	88.18

Audit of the accounts of co-operative institutions for each co-operative year ending 30th June is to be completed by the Registrar of Co-operative Societies during the succeeding year. Accordingly, the accounts for the co-operative years up to 1983-84 were to have been audited by 30th June 1985. But such audit was in arrears in 16,187 cases as on 30th November 1985 (up to 1980-81: 617; 1981-82: 1599; 1982-83: 4,903; 1983-84: 9068).

The main reasons adduced by Government in February 1986 for the slow progress in audit were paucity of staff, increase in the volume of business of co-operative institutions owing to diversification of their activities and diversion of services of auditors for other items of work (like monopoly cashew procurement, deposit mobilisation, scrutiny of interest subsidy, collection of statistical data, etc). Government stated (February 1986) that a proposal for re-organisation of the audit wing of the department of co-operation with a view to clearing the arrears in audit of accounts was under their active consideration.

As at the end of June 1984, 764 societies were under liquidation. The amount outstanding for recovery from them towards Government dues on that date was Rs. 25.43 lakhs. As at the end of March 1985, an amount of Rs. 32.59 lakhs remained to be collected towards audit fees (Rs. 25.01 lakhs) and cost of staff (Rs. 7.58 lakhs) from various societies.

(b) On a scrutiny of the departmental audit reports and other related documents on the working of the Kerala State Co-operative Consumers' Federation Limited, Ernakulam, the following points were noticed:

The main function of the Federation is to assist in the promotion, organisation and development of Consumer Co-operative Societies and to co-ordinate the working of societies affiliated to it. The Federation also runs three retail outlets-one each at Ernakulam, Trivandrum and Calicut-for sale of general consumer goods.

The total paid up capital of the Federation at the end of June 1985 was Rs. 1,25.97 lakhs, of which shares for Rs. 61.52 lakhs (49 *per cent*) were held by Government. The borrowings of the Federation (including cash credit accommodation from Banks) at the end of June 1984 stood at Rs. 2.48 crores, of which Rs. 0.24 crore represented loans from Government. At the end of June 1985, the amount overdue to Government on account of loans was Rs. 8.08 lakhs (principal: Rs. 1.67 lakhs; interest: Rs. 5.05 lakhs; penal interest: Rs. 1.36 lakhs). Departmental audit of the Federation has been completed only up to 1981-82 (October 1985). According to audited accounts, accumulated loss of the Federation as on 30th June 1982 was Rs. 43.92 lakhs (35 *per cent* of the paid up capital). Working results of the Federation for the years 1979-80, 1980-81 and 1981-82 as per audited accounts were as follows:

	1979-80	1980-81	1981-82
	<i>(in lakhs of rupees)</i>		
1. Sales	5,91.64	14,74.53	4,03.61
2. Closing stock	1,06.07	85.78	77.86
3. Gross profit	32.07	57.00	19.35
4. Percentage of gross profit to sales	5.4	3.9	4.79
5. Establishment expenditure	13.95	26.9	21.00
6. Percentage of establishment expenditure to sales	2.35	1.8	5.20



	1979-80	1980-81	1981-82
7. Value of deficit stock	2.80	5.62	2.61
8. Value of old and damaged stock	3.42	5.26	10.75
9. Net loss	4.94	13.06	25.93
10. Accumulated loss	4.94	18.00	43.92

Targets and achievements of turn-over for the years 1982-83, 1983-84 and 1984-85 are given in the following table:

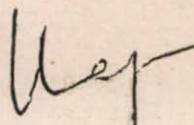
<i>Year</i>	<i>Target</i> <i>(in lakhs of rupees)</i>	<i>Achievement</i>	<i>Percentage</i> <i>of achievement</i>
1982-83	8,25	4,23.56	51
1983-84	12,20	6,91.23	57
1984-85	11,88	7,12.39	60

The increase in turn-over from 1983-84 was mainly due to dealings in items like cement, palmolein, controlled cloth, etc. According to the tentative balance sheet of the Federation as on 30th June 1984, a sum of Rs. 2,87.97 lakhs was due to it from its member stores. In addition, a sum of Rs. 89.71 lakhs was outstanding under sundry debtors. Though the Federation had started charging interest on the dues from member stores from June 1981, none of the stores had paid such interest, nor had the Federation obtained any undertaking from the stores to pay the interest. On the other hand, interest paid by the Federation for cash credit accommodation amounted to Rs. 46.97 lakhs during 1980-81, Rs. 22.67 lakhs during 1981-82, Rs. 21.83 lakhs during 1982-83 and Rs. 26.19 lakhs during 1983-84.

An analysis of the sales performance of the retail outlets at Trivandrum and Calicut for three years ending 1983-84 showed that while the sales at Calicut recorded an increase of 114 per cent from Rs. 41.92 lakhs in 1981-82 to Rs. 87.94 lakhs in 1983-84, the sales at Trivandrum declined by 6 per cent from Rs. 1,30.80 lakhs in 1981-82 to Rs. 1,23.19 lakhs in 1983-84, the decrease being mainly under textiles, confiscated goods, stationery, electricals, drugs, etc.

The Federation had a stock of Rs. 4.33 lakhs of damaged and obsolete/confiscated goods at the end of June 1985.

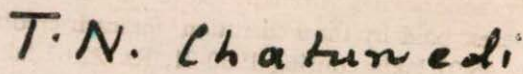
A loan of Rs. 11.25 lakhs was paid by Government to the Federation in March 1984 for construction of a building at Trivandrum, stipulating the period of utilisation as one year. The Federation has not started the construction yet and the entire amount remains unutilised (November 1985). The Registrar of Co-operative Societies has granted extension of time up to March 1986 for utilisation of the amount.



(V. LAKSHMINARAYANAN)
Accountant General (Audit), Kerala.

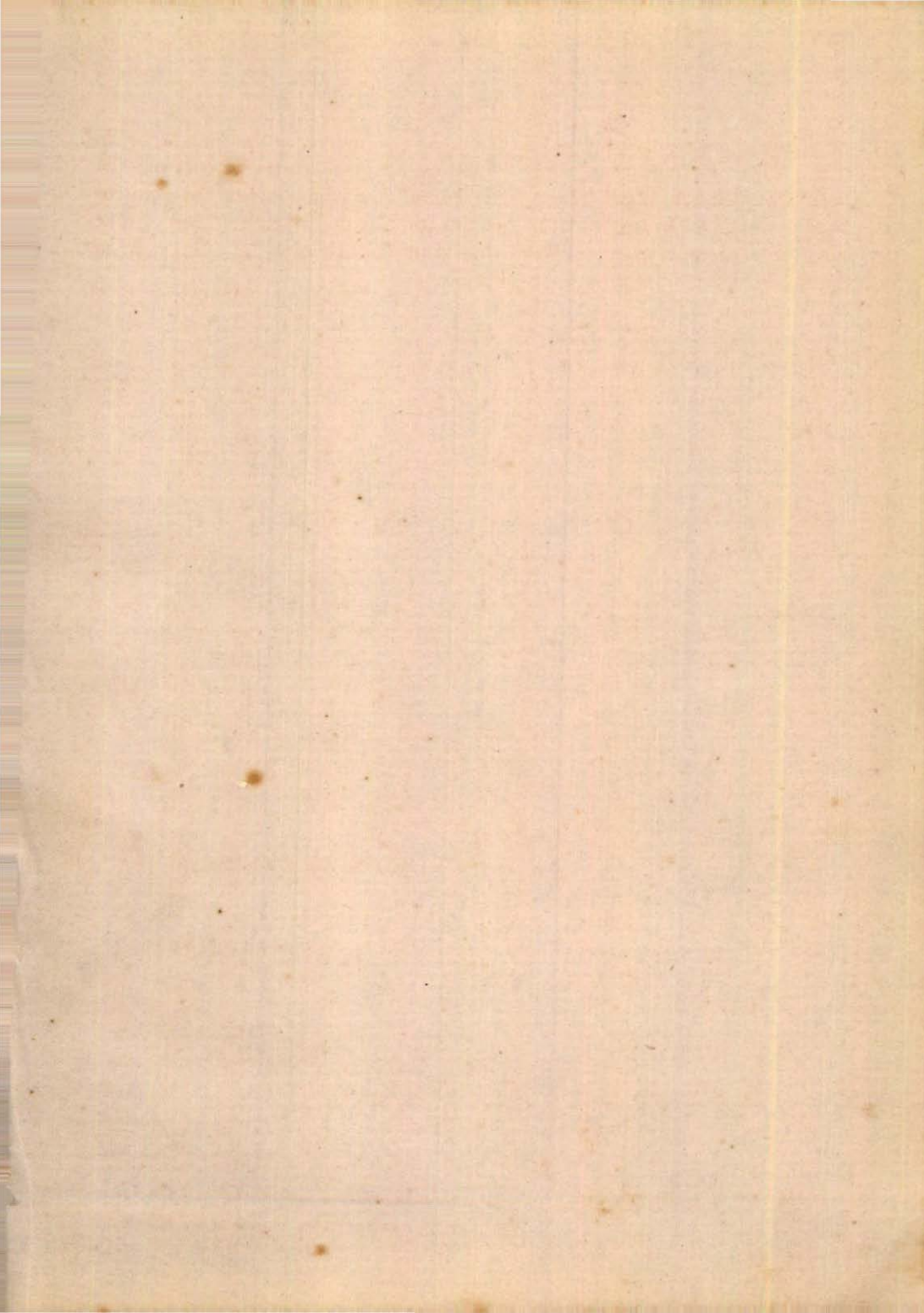
Trivandrum,
The 5 JUN 1986

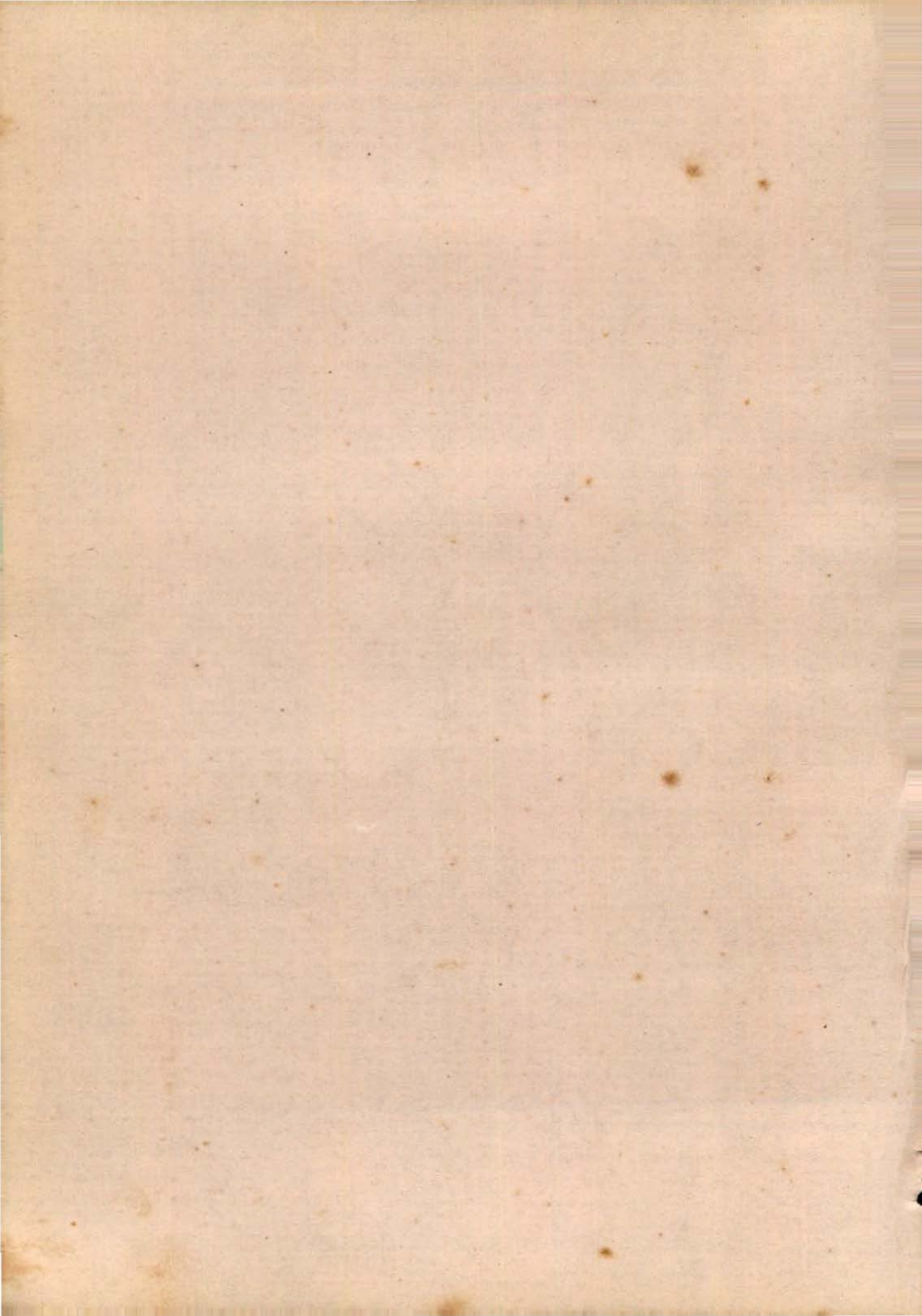
Countersigned



(T. N. CHATURVEDI)
Comptroller and Auditor General of India.

New Delhi,
The 16 JUN 1986





APPENDICES

ALABAMA

APPENDIX 2.1

Grants/charged appropriations where excess requires regularisation

(Reference: Paragraph 2.2.03 at page 13)

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Total grant Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
(a) Grants				
REVENUE SECTION				
1.	II—Heads of States, Ministers and Headquarters Staff	9,44,67,200	9,46,03,709	1,36,509
2.	IV—Elections	1,59,70,800	1,71,51,340	11,80,540
3.	VII—Stamps and Registration	5,20,51,700	5,30,90,318	10,38,618
4.	XVI—Pensions and Miscellaneous	80,69,18,300	90,02,54,250	9,33,35,950
5.	XVII—Education, Art and Culture	3,19,61,22,000	3,48,96,82,980	29,35,60,980
6.	XXXVII—Relief on account of Natural Calamities	21,59,00,000	22,76,82,367	1,17,82,367
7.	XXXII—Animal Husbandry	10,29,65,400	10,65,76,133	36,10,733
8.	XXXIII—Dairy	3,19,53,000	3,20,23,671	70,671
9.	XLI—Ports	1,21,60,200	1,22,63,983	1,03,783
CAPITAL SECTION				
10.	XXXIX—Irrigation	68,92,58,000	70,17,29,432	1,24,71,432
11.	XL—Power	34,57,91,000	34,81,46,000	23,55,000
(b) Charged appropriations				
REVENUE SECTION				
12.	XXXV—Forest	2,00,000	5,63,542	3,63,542
CAPITAL SECTION				
13.	Public Debt Repayment	7,67,13,57,600	7,99,47,61,750	32,34,04,150

APPENDIX 2.2

Injudicious re-appropriation of funds

(Reference: Paragraph 2.2.07 at page 19)

Sl. no.	No. and name of grant and head of account	Provision (original plus supple- mentary)	Reappropriation (in lakhs of rupees)	Total grant	Actual expenditure	Excess (+) Saving (-)
XII—Police						
1.	260 (a) 1. Direction (Non-plan)	158.47	(—)66.66	91.81	147.22	(+)55.41
XIX—Family Welfare						
2.	481 (a) 1. Buildings	150.00	(—)103.55	46.45	98.78	(+)52.33
3.	481 (b) 1. Buildings	66.00	(—)66.00	Nil	69.32	(+)69.32
XXVI—Social Welfare including Harijan Welfare						
4.	288 C (d) 1. Post-matricula- tion studies (Non-plan)	285.00	(+)11.61	296.61	283.12	(—)13.49
5.	288 C (d) 2. Pre-maticula- tion studies (Non-plan)	85.00	(+)12.62	97.62	83.52	(—) 14.10
XXXVIII—Industries						
6.	320 A (f) 9. Cochin Export Processing Zone—External Infrastructure (plan)	25.00	(—)14.46	10.54	25.44	(+)14.90
7.	321 (c) 34. District Industries Centres (Plan)	18.00	(+) 15.40	33.40	12.29	(—)21.11
8.	521 (b) 4. New development plots in backward areas— Investments	10.00	(—)10.00	Nil	10.00	(+)10.00
XXXIX—Irrigation						
9.	533 B (o) Kanhirapuzha project—2. Works	434.10	(—)52.95	381.15	401.72	(+)20.57
10.	533 B (t) Idamalayar Project—2. Works	476.23	(—)146.48	329.75	361.87	(+)32.12
XLVI—Miscellaneous Loans and Advances						
11.	766 (a) 3. Special Component Plan Scheduled Castes	18.00	(+)19.35	37.35	0.25	(—)37.10

APPENDIX 2.3

Particulars of defects noticed in regard to control of expenditure by Controlling Officers

(Reference: Paragraph 2.2.13 at page 22)

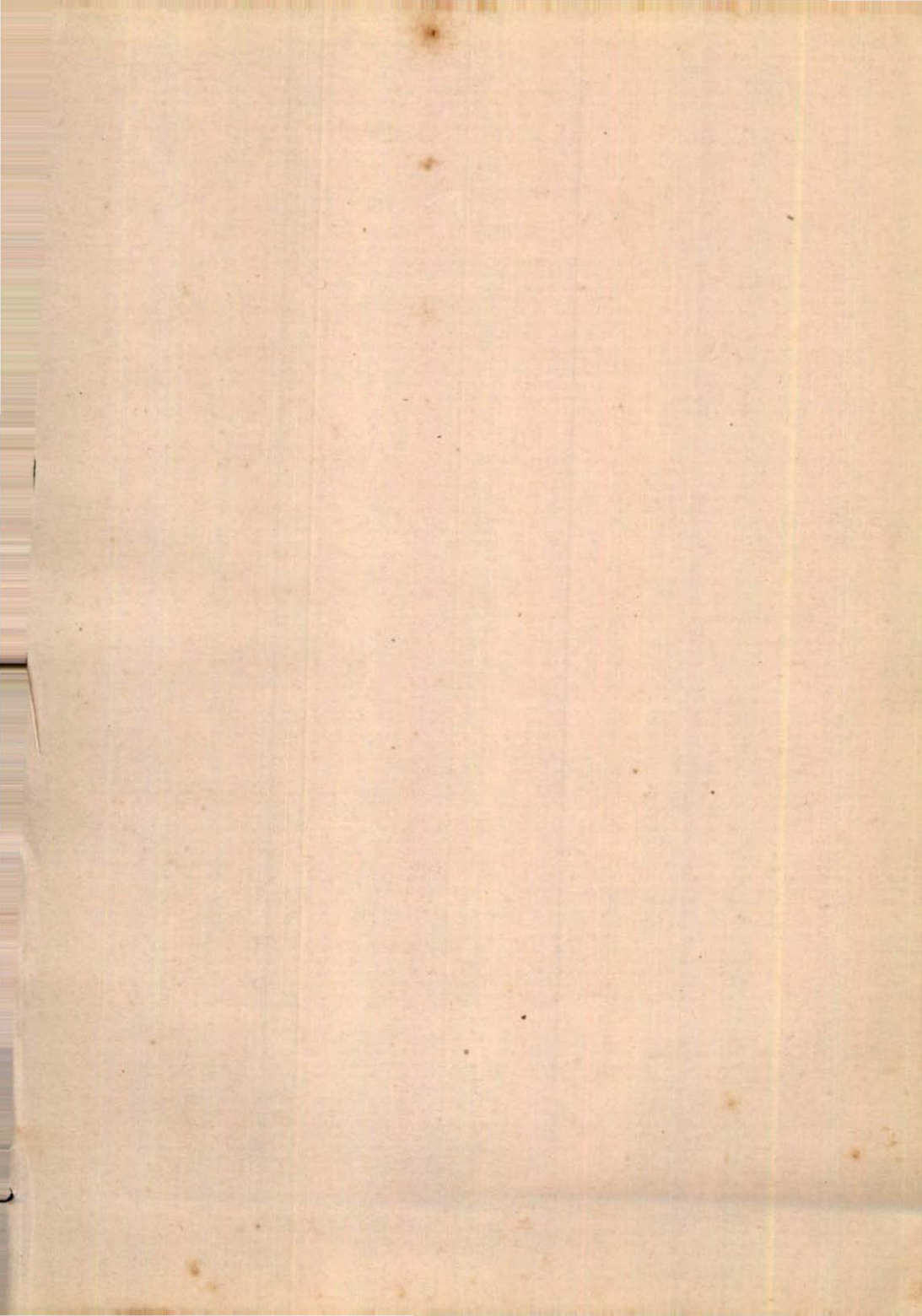
<i>Sl. no.</i>	<i>Description of grant</i>	<i>Name of controlling officer</i>	<i>Nature of defect@</i>
1.	XII—Police	(i) Director General of Police	A, B, C & D
		(ii) Commandant General, Fire Force	do.
2.	XVIII—Medical	(i) Director of Health Services	A, B, C, D & E
		(ii) Director of Medical Education	B & E
		(iii) Director of Indian System of Medicines	B & D
3.	XXVIII—Co-operation	Registrar of Co-operative Societies	A, D & E
4.	XXXIV—Fisheries	Director of Fisheries	B & D
5.	XXXVIII—Industries	(i) Director of Industries & Commerce	A, B, C, D & E
		(ii) Director of Coir Development	do.
		(iii) Director of Handloom	do.

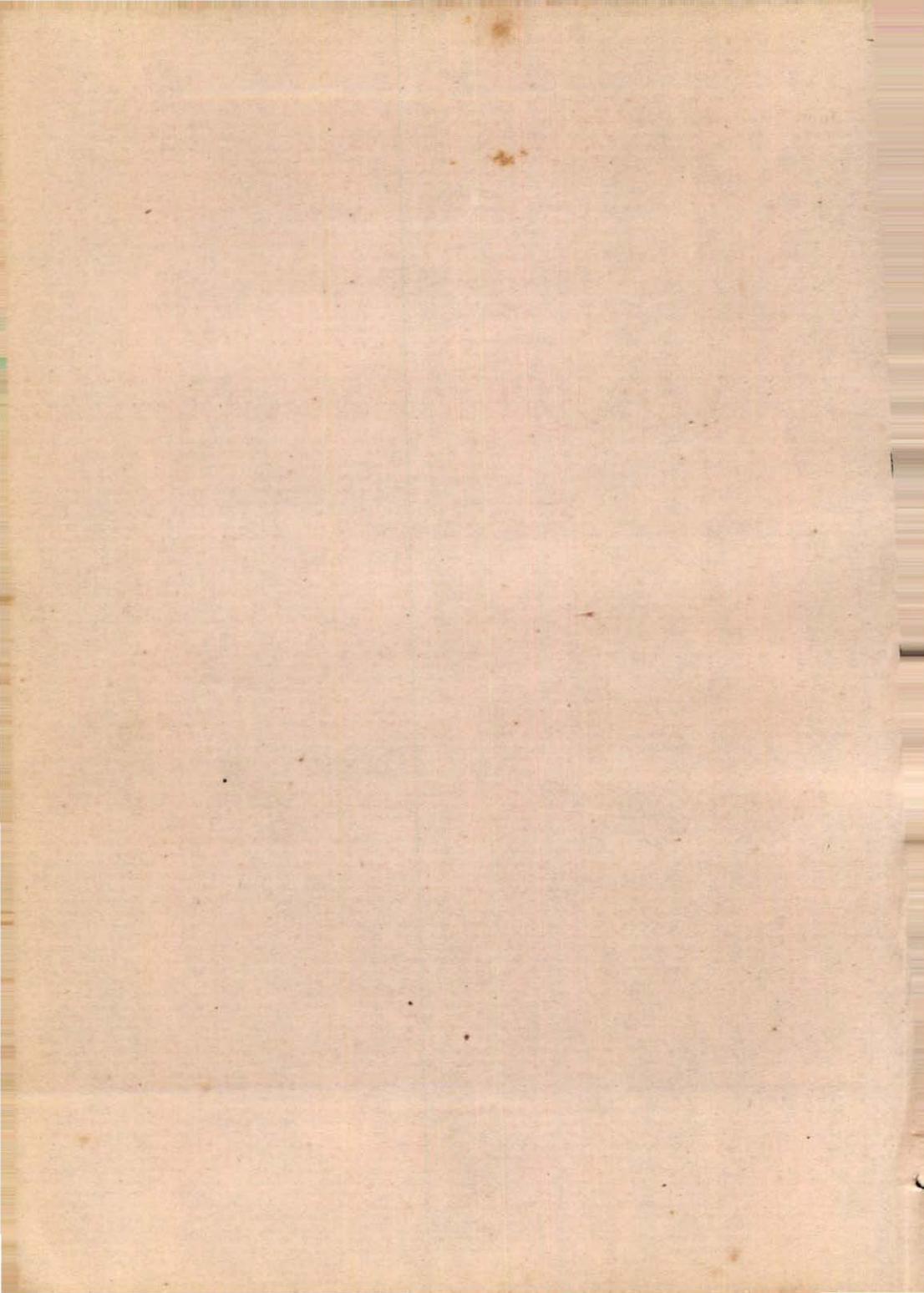
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- @
- A—Non-maintenance/defective maintenance of the register of expenditure and liabilities.
 - B—Non-maintenance/defective maintenance of the liability register.
 - C—Non-maintenance of the consolidated register of expenditure and liabilities.
 - D—Non-furnishing of monthly returns to Government showing progressive expenditure.
 - E—Non-completion of reconciliation of departmental figures due to non-receipt of extracts from the register of disbursements and/or reconciliation statements from the subordinate Controlling Officers.

Details of cases of drawal of

(Reference: Paragraph

Sl. no.	Drawing/dispersing Officer	Amount drawn (in lakhs of rupees) and date of drawal	Name of beneficiary institution	Nature of drawal
(1)	(2)	(3)	(4)	(5)
AGRICULTURE DEPARTMENT				
1.	Director of Agriculture/ Additional Director of Agriculture	35.00 (29th March 1985)	Kerala State Coconut Development Cor- poration Limited	Towards share capital contribution (Rs. 22 lakhs) and loan (Rs. 13 lakhs)
CO-OPERATION DEPARTMENT				
2.	Registrar of Co-operative Societies	25.00 (30th March 1985)	Kerala State Co-operative Mar- keting Federation Limited	Margin money assist- ance released under the refinance scheme of National Co-operative Development Corpo- ration
INDUSTRIES DEPARTMENT				
3.	Director of Industries and Commerce, Trivandrum	175.00 (29th March 1985)	Kerala State Textile Corporation Limited	Rupees 125 lakhs towards share capital contribution and balance as loan for modernisation of sick mills/setting up of new mills
4.	do.	50.00 (30th March 1985)	Kerala State Electronics Develop- ment Corporation Limited	Towards loan
5.	do.	25.00 (30th March 1985)	Kerala State Industrial Enterprises Limited	Towards share capital contribution and loan to finance three projects of two subsidiary companies
6.	do.	24.46 (29th March 1985)	Kerala Water and Waste Water Authority	For taking up water supply works in the Cochin Export Pro- cessing Zone
7.	Revenue Divisional Officer, Idukki	10.00 (30th March 1985)	..	For acquisition of land for a new development plot at Muttam in Idukki District





funds in advance of requirements

2.2.17 at page 26)

<i>Where retained till final disbursement</i>	<i>Amount utilised (in lakhs of rupees) and date of utilisation</i>	<i>Remarks</i>
(6)	(7)	(8)
TSB	35.00 (3rd June 1985)	..
Term deposit with the Kerala State Co-operative Bank	25.00 (18th July 1985)	Delay in execution of mortgage deed.
TSB	71.58 (September 1985)	Details regarding disbursement of balance amount awaited.
TSB	25.00 (15th May 1985)	
	25.00 (30th May 1985)	
TSB	10.00 (19th July 1985)	Details about utilisation of balance amount awaited
PDA	*	Land for setting up the processing zone was acquired in May 1985.
	..	
	*	Not disbursed till June 1985.

* Information awaited.

APPENDIX 3.1

Social Forestry works under NREP—Extra expenditure due to adoption of higher wage rates

(Reference: Paragraph 3.4.08 at page 59)

Number of mandays generated according to the progress Reports

1981-82	:	6,42,000	
1982-83	:	9,16,490	
1983-84	:	9,13,300	
			24,71,790
1984-85 (Up to November 1984)			6,49,534
			<u>31,21,324</u>

Number of mandays actually generated if NREP wage rate had been adopted for preparing estimate

Up to 1983-84	:	$\frac{24,71,790 \times 10}{15}$	=	16,47,860
1984-85 (Up to November 1984)	:	$\frac{6,49,534 \times 10}{18}$	=	<u>3,60,852</u>
				20,08,712

APPENDIX 3.1—(Concl'd)

Extra expenditure

	Rs.	(lakhs of rupees)
(Up to 1983-84)		
Paid to conveners	: 2,47,17,900	
Due	: 1,64,78,600	
Extra expenditure	82,39,300	82.39
1984-85		
Up to November 1984		
Paid to conveners	: 64,95,340	
Due	: 36,08,520	
Extra Expenditure	28,86,820	28.87
Total extra expenditure		1,11.26

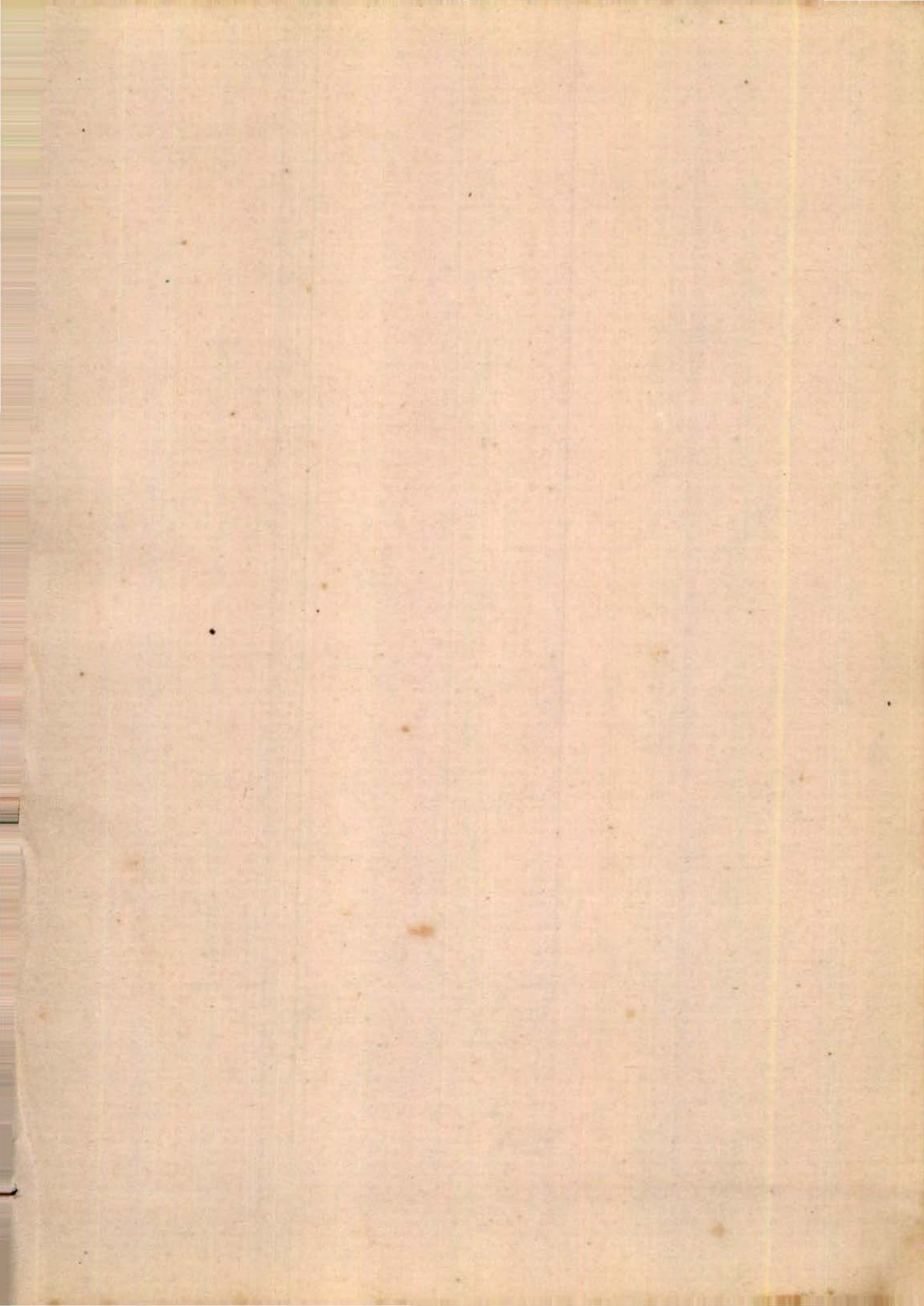
ie., Rs. 1.11 Crores

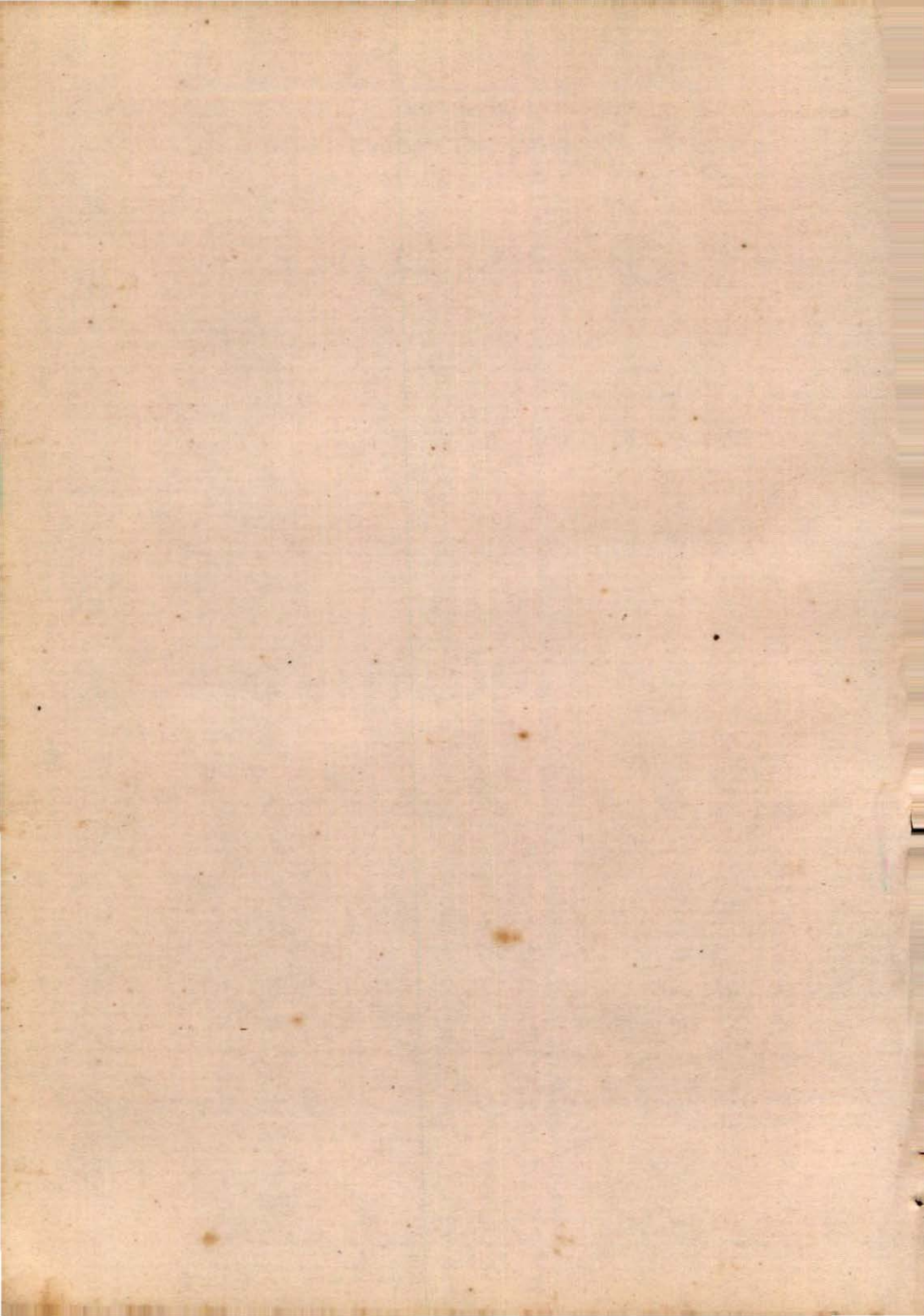
APPENDIX

Activity-wise Details of Budget Provision

(Reference: Paragraph

Sl. no.	Activity	1974-75 to 1979-80		1980-81	
		Provision	Expenditure	Provision	Expenditure
		(in lakhs)			
1.	Employment Exchanges	184.66	186.42	46.47	47.04
2.	National Employment Scheme	6.13	5.15	3.56	3.92
3.	Special Employment Exchange for physically handicapped (Centrally sponsored scheme)	1.04	1.00	0.59	0.63
4.	Employment Information & Guidance Bureau				
	(a) Cochin University	1.73	1.76	..	..
	(b) Calicut University	1.24	1.21	..	..
5.	Coaching and Guidance Centre for Scheduled Caste and Scheduled Tribe	..	..	..	..
6.	Special Cell for placement of physically handicapped (50% Central Assistance)	..	..	..	..
7.	Employment Market Information and Vocational Guidance Unit at Idukki & Malappuram	2.92	2.92	..	..
8.	Establishment of Special Cell for Scheduled Tribe and Christian Converts at District Headquarters	..	..	..	..
9.	Strengthening of vocational guidance Programme	..	..	..	..
10.	Strengthening of Employment Market Information Programme	..	..	..	..
11.	Tribal Sub—Plan Dispersed tribes	..	..	..	..
12.	Cell for promotion of Self Employment Programme	0.20	0.85	..	..
13.	Unemployment relief scheme	10,06.27	9,81.87	3,38.90	3,43.77
14.	Unemployment Assistance scheme	..	..	13,00.00	12,99.78
15.	National Employment Scheme—Special Employment Plan for Scheduled Castes	0.44	0.46	1.00	1.05
	Total	12,04.63	11,81.64	16,90.52	16,96.19





and Expenditure on Employment Exchanges

3.14.1 at page 108)

1981-82		1982-83		1983-84		1984-85	
<i>Provision</i>	<i>Expenditure</i>	<i>Provision</i>	<i>Expenditure</i>	<i>Provision</i>	<i>Expenditure</i>	<i>Provision</i>	<i>Expenditure</i>
55.19	57.34	59.35	59.92	69.24	68.77	78.41	79.29
3.72	3.77	3.86	3.92	5.80	10.26	9.28	10.02
0.79	0.99	0.85	0.90	0.94	0.83	0.97	1.07
..	..	..	..	..	..	} 0.63	0.53
..		
0.16	0.17	0.09	0.09	1.00	0.75	1.00	0.89
0.54	0.13	0.50	1.43	1.69	1.59	1.92	2.01
..
0.52	0.55	1.00	1.08	1.00	0.73	1.00	0.83
..	..	..	..	0.30	0.25	0.33	0.35
1.28	1.33	1.00	1.25	1.40	1.62	1.56	1.65
..	..	..	..	0.50	0.26	0.50	0.54
..
..
4,11.46	4,11.34	94.68	91.51	7,88.93	7,75.43	8,99.00	8,98.00
0.86	0.81	0.55	0.66	..	..	..	..
4,74.52	4,76.43	1,61.88	1,60.76	8,70.80	8,60.49	9,94.60	9,95.18

APPENDIX 3.3

Department-wise details of cases of misappropriations, losses, etc.

(Reference : Paragraph 3.16 at page 132)

Sl.No.	Number	Amount (in lakhs of rupees)
I. Agriculture Department		
1. Agriculture	7	1.58
2. Animal Husbandry	5	2.47
3. Dairy Development	1	0.11
II. Forest Environment and Wild Life Department	10	2.11
III. Cultural Affairs Department	1	0.20
IV. Rural Development Department	18	1.28
V. Finance Department		
1. Treasury	7	1.40
2. Lotteries	1	0.90
VI. Food Department	4	1.19
VII. Health Department		
1. Health	8	0.69
2. Medical	5	3.65
VIII. General Education Department	11	5.91
IX. Higher Education Department	5	1.20
X. Home Department—		
1. Police	4	2.75
2. Judicial	2	0.22
XI. Fisheries and Ports Department—Fisheries	2	0.11
XII. Industries Department	1	0.17
XIII. Irrigation Department	11	6.44
XIV. Labour and Rehabilitation Department	1	0.32
XV. Local Administration Department		
1. Panchayats	2	0.32
2. Public Health Engineering	8	6.24



APPENDIX 3.3 (Concl'd.)

<i>Sl. No.</i>	<i>Number</i>	<i>Amount</i> <i>(in lakhs of</i> <i>rupees)</i>
XVI. Public Works and Transport Department		
1. Public Works	7	9.61
2. Motor Vehicles	2	0.91
XVII. Revenue Department	25	4.45
XVIII. Scheduled Castes and Scheduled Tribes Development Department	3	0.24
XIX. Taxes Department		
1. Agricultural Income Tax and Sales Tax	6	0.15
2. Excise	2	0.93
3. Registration	2	0.03
Total	161	54.98

APPENDIX 3.4

Writes off and waivers

(Reference: Paragraph 3.17 at page 132)

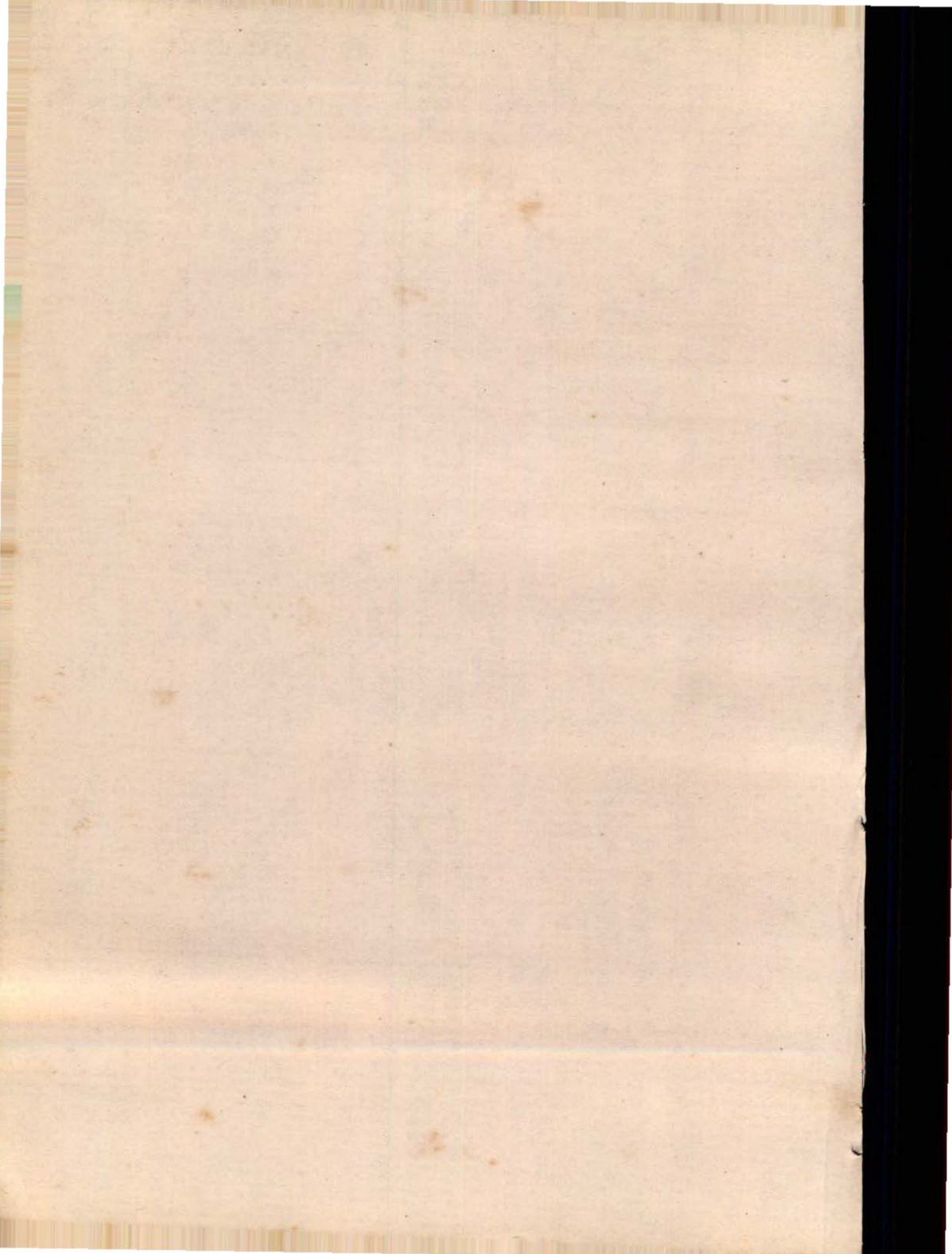
Sl.No.	Name of Department	Writes off*		Waivers*	
		No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)
I.	Agriculture Department				
	1. Dairy Department	21	0.01		
	2. Forest	6	0.03	15	0.02
	3. Co-operation	8	0.12		
II.	Fisheries and Ports Department Fisheries	2	0.01	2	12.15(A)
III.	Food Department	7	0.99	..	
IV.	General Administration Department			30	3.45(B)
V.	Health Department				
	1. Health	44	0.33		
	2. Indian Systems of Medicine	10	0.02		
	3. Medical Education	53	1.97(C)		
VI.	Higher Education Department				
	1. Collegiate Education	1,957	0.19	..	..
	2. Technical Education	..	..	1	0.29
VII.	Home Department				
	1. Jails	4	0.01		
	2. Judicial	205	0.58	1	0.01
	3. Police	7	0.13(D)		

(A) Amount due from the Regional Fish Marketing Co-operative Society Ltd., No. F(D) 174, Pudiappa, Kozhikode towards cost of staff of Fisheries Department engaged for implementation of schemes for intensive development of fisheries.

(B) Includes Rs. 3,18,821 being excess paid to 28 State Civil Service Officers appointed to I.A.S. due to incorrect fixation of pay.

(C) Includes Rs. 1,70,057 being book value of condemned linen articles in the Institute of Maternity and Child Health, Kozhikode.

(D) Includes Rs. 13,293 being the value of 1984 litres of petrol evaporated from the Police Petrol bunk, at Body Guard Square, Armed Reserve Camp, Trivandrum.



APPENDIX 3.4 (Concl.)

Sl.No.	Name of Department	Writes off*		Waivers*	
		No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)
VIII.	Industries Department	3	0.06	2	0.21
IX.	Irrigation Department	13	0.13		
X.	Labour and Rehabilitation Department	1	0.01	1	0.01
XI.	Public Works and Transport Department				
	Public Works	21	1.63(E)		
XII.	Revenue Department	1	0.07	..	..
	Total	2,363	5.69	52	16.14

(E) Includes Rs. 94,630 being the value of stores found short in the Minor Irrigation Sub-Division, Ernakulam

*The details for 1984-85 are still awaited from:

1. Director of Health Services
2. Director of Public Instruction
3. The Principal, Medical College, Kozhikode
4. Director of Agriculture
5. Director of Animal Husbandry
6. Director of Harijan Welfare
7. The Drugs Controller, Trivandrum

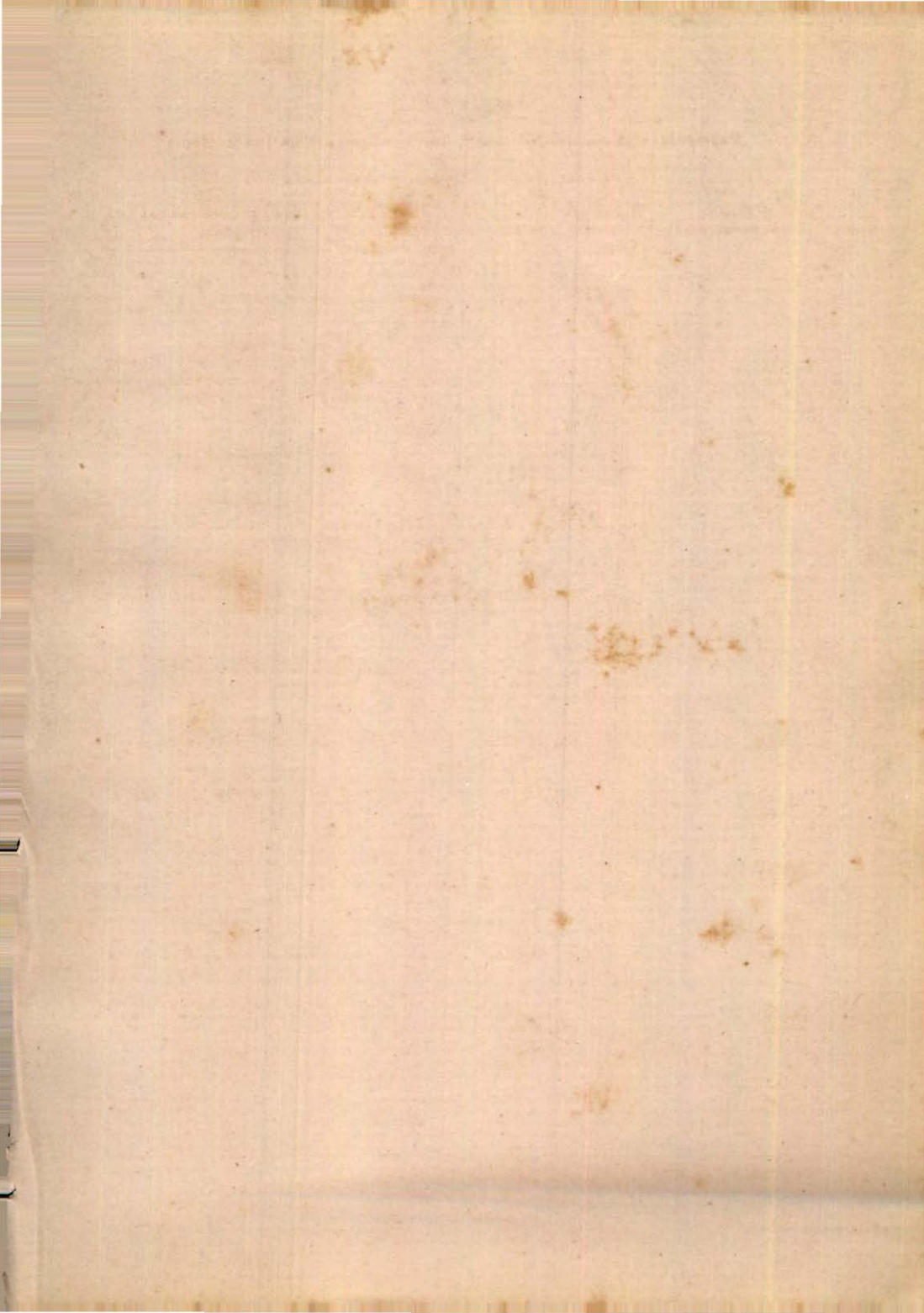
APPENDIX 4.1.

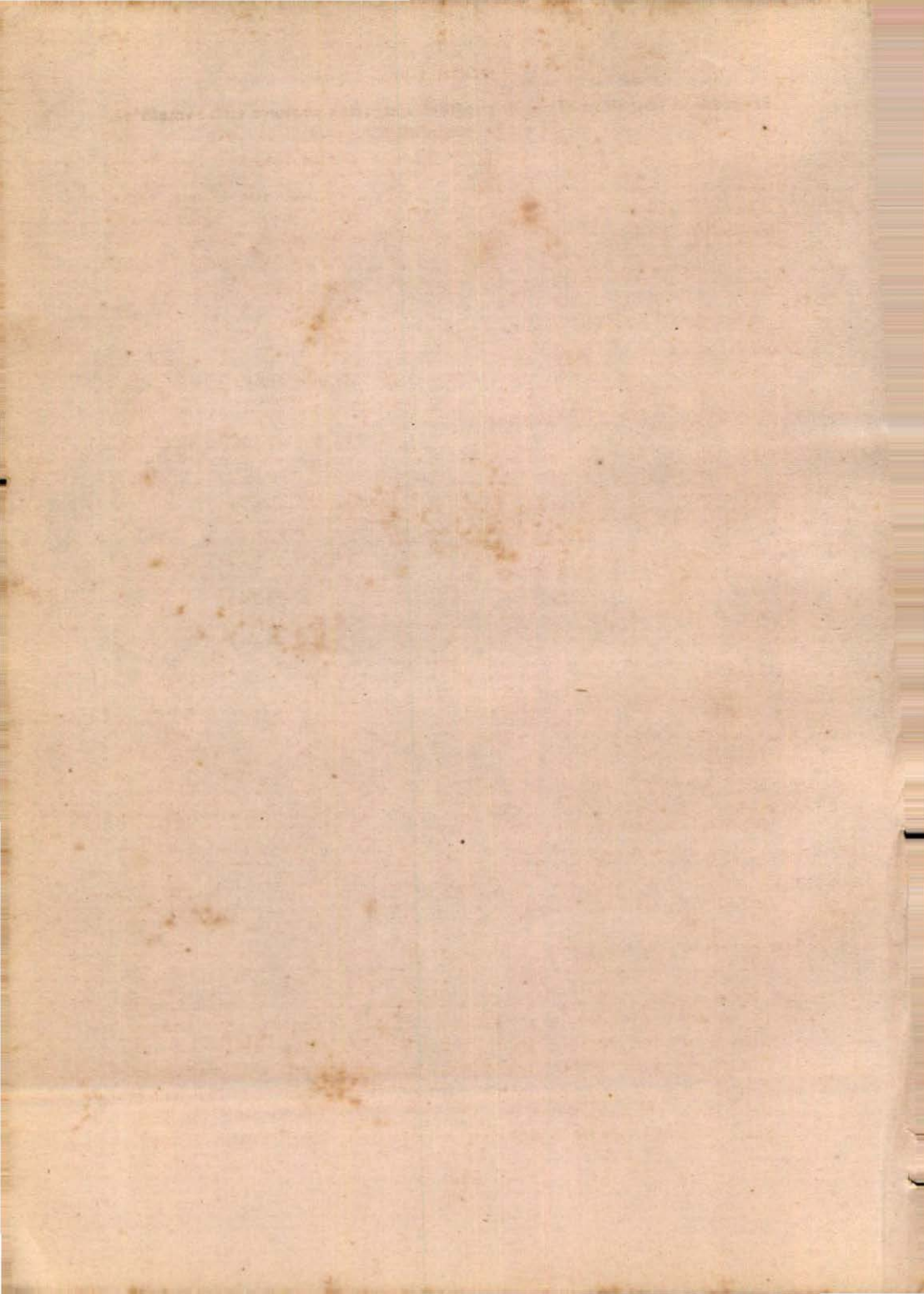
Particulars of completed major and medium irrigation projects

(Reference: paragraph 4.1.1 (1) at page 134)

Sl. No.	Name of Project/ year of commencement	Year of completion	Outlay to the end of March 1985 (in crores of rupees)	Total area to be irrigated Gross area	Actual area irrigated Gross area	Quantity of water released for irrigation	
						1983-84 (in thousand hectares)	1984-85 million cubic metres
1.	Malampuzha (1949)	1966	6.73	42.3	41.1	41.6	150.57
				21.2	20.6	20.6	192.93
2.	Mangalam (1953)	1966	0.94	6.9	6.6	6.6	22.80
				3.4	3.3	3.3	26.68
3.	Meenkara (Gayathri) (1961)	1970	2.91	10.9	9.8	*	12.49
				5.5	4.9	*	*
4.	Walayar (1953)	1964	1.49	6.5	7.5	7.5	17.30
				3.2	3.8	3.8	25.99
5.	Pecchi (1947)	1959	2.46	15.3	15.3	*	124.67
				15.3	15.3	*	*
6.	Chalakudy (1949)	1966	2.32	13.5	34.6	34.6	381.86
				13.5	13.5	13.5	422.27
7.	Cheerakuzhy (1957)	1973	1.28	0.9	0.9	0.9	38.94
				0.9	0.9	0.9	38.80
8.	Pothundy (1958)	1971	3.85	10.93	9.4	9.4	46.01
				5.47	4.7	4.7	50.44
9.	Vazhani (1951)	1962	0.43	7.13	*	*	*
				3.57	*	*	*
10.	Neyyar (1951)	1973	5.15	15.39	*	*	*
				4.05	*	*	*

*Information awaited





APPENDIX 4.2.

Progress in execution of major/medium irrigation projects still remaining to be completed

(Reference: Paragraph 4.1.1. (1) at page 134)

Sl. No.	Name of project and year of commencement	Original estimate/ Estimated cost as per latest estimate (in crores of rupees)	Provision during Sixth Plan	Expenditure during Sixth Plan	Total outlay to the end of March 1985	Ultimate project potential Net Gross (in hectares)	Year of partial commissioning	Actual area benefited (gross) (in hectares)
I. Major Projects								
1.	Kallada (1961-62)	13.28 1,63.57 (1980)	1,02.5	71.26	133.30	61,630 92,000	..	1,375
2.	Pamba (1961-62)	3.83 42.97 (1982)	21.25	14.87	47.80	21,135 49,456	1976	46,033
3.	Muvattupuzha (1974-75)	20.86 48.08 (1983)	13.07	12.82	20.62	17,400 52,000	..	..
4.	Periyar Valley (1956-57)	3.48 39.71 (1981)	16.00	14.60	45.54	32,800 85,600	1966	74,973
5.	Chimoni-Mupli (a) (1975)	6.33 23.43	7.49	5.58	10.55	13,000 26,200	..	..
6.	Chitturpuzha-Moolathara (1963-64)	1.06 17.66 (1983)	4.30	2.53	13.03	15,570 28,960	1972-73	24,579
7.	Kanhirapuzha (1961-62)	3.65 43.06	19.15	14.57	35.16	9,720 21,865	1980	15,487
8.	Kuttiadi (1962-63)	4.96 44.85 (1983)	12.90	12.37	46.28	16,187 32,374	1972-73	34,051
9.	Pazhassi (1961-62)	4.42 42.00 (1981)	22.30	21.33	49.30	16,187 32,374	1979	13,468
10.	Idamalayar (b) (1980)	17.85 (1978)	15.50	10.19	14.17	13,659 39,318	..	..

(a) The project has not been technically approved by the Central Water Commission. Only 40 per cent of the work has been completed upto February 1985.

(b) The project which envisages utilisation of the tail race waters of Idamalayar Hydro-Electric Project, is yet to be cleared by the Central Water Commission. The expenditure on the project includes Rs. 7.50 crores paid to the Kerala State Electricity Board towards irrigation components of Idamalayar Hydro-Electric Project.

APPENDIX 4.2— (Concl.)

Sl. No. and year of commencement	Name of project	Original estimate/estimated cost as per latest estimate	Provision during Sixth Plan	Expenditure during Sixth Plan	Total outlay to the end of March 1985	Ultimate project potential Net Gross	Year of partial commissioning	Actual area benefited (gross) (in hectares)
		(in crores of rupees)				(in hectares)		
11.	Kuriar Kutty (c) (1970)	32.25	(1983)₹	1.10	0.93	1.10	11,736	..
							23,472	..
12.	Beyyorepuzha (d) (Non-commercial)	10.61	(1977)	0.60	0.24	0.33	5,812	..
							13,624	..
13.	Kakkadavu (d) (1978)	..		1.02	1.14	1.53	12,817	..
							26,106	..
II. Medium Schemes								
1.	Attappady (1977)	26.00		3.05	2.24	5.00	7,010	..
							13,041	..
2.	Karapuzha	12.00		3.17	3.36	6.39	4,650	..
							9,300	..
3.	Vamanapuram (c) (d)	36.40		0.92	0.45	0.73	8,803	..
							18,014	..
4.	Meenachil (d)	49.56	(1983)	0.48	0.20	0.27	10,000	..
							20,000	..
5.	Banasura Sagar	11.51		0.23	0.66	1.15	2,800	..
							4,800	..

- (c) The project which envisages utilisation of the tail race water of Kuriarkutty Karapara Hydro-Electric Project has not yet been cleared by the Government of India.
- (₹) Exclusive of Rs. 16.49 crores payable to Kerala State Electricity Board towards the cost of dam and appurtenant works.
- (d) The project is still under investigation/preliminary stage.
- (e) The works proper are yet to be started for want of funds. The project is still to be approved by the Central Water Commission. Though 4 sub-divisions have been formed under the project, staff sanctioned for 2 have been diverted for other works. Work on dam, canal system etc., has not been taken up owing to paucity of funds, delay in land acquisition, etc.





APPENDIX 4.3

Kallada Irrigation Project

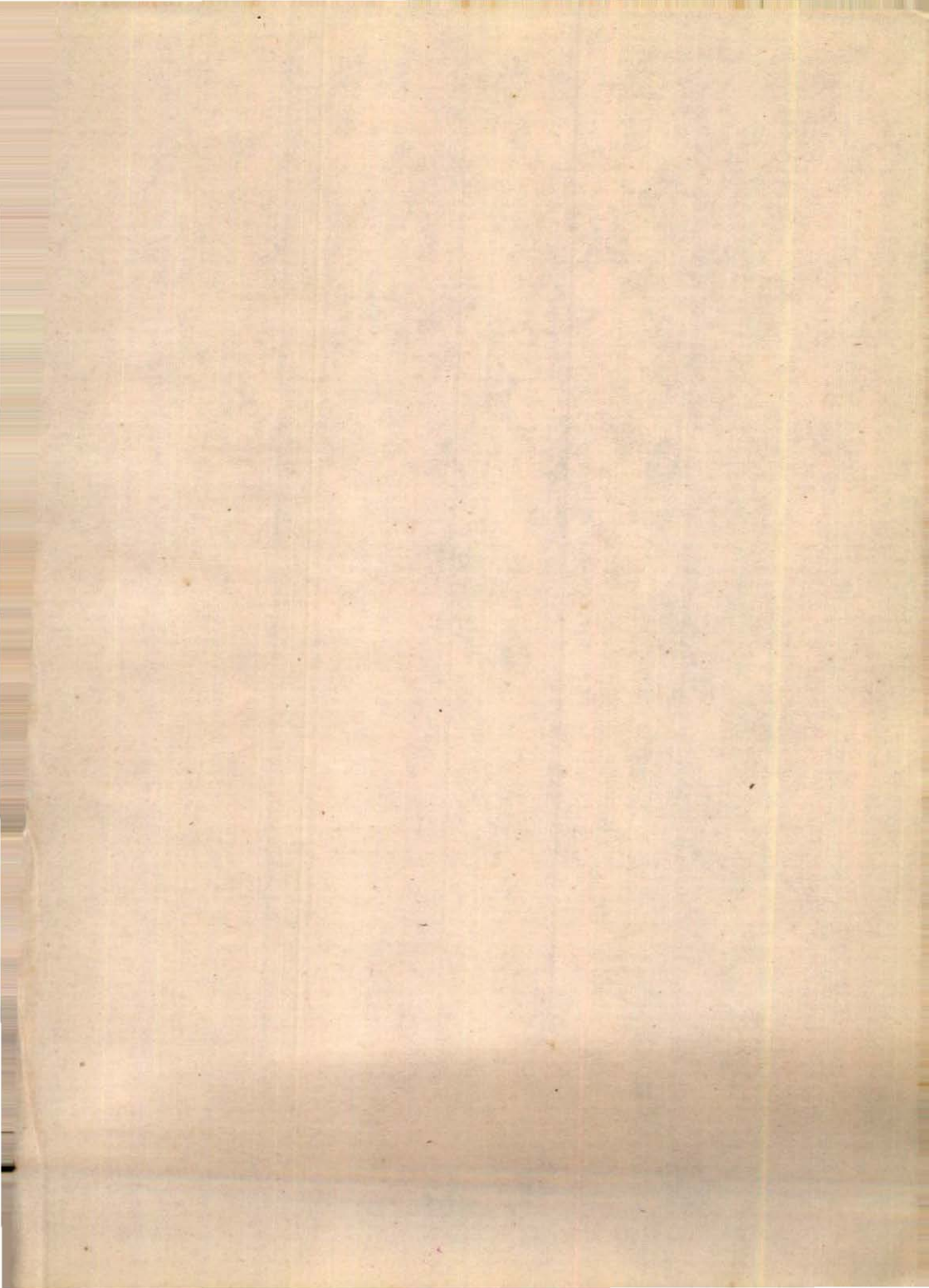
Extra expenditure due to increase in quantity by more than 125
per cent of the agreed quantity

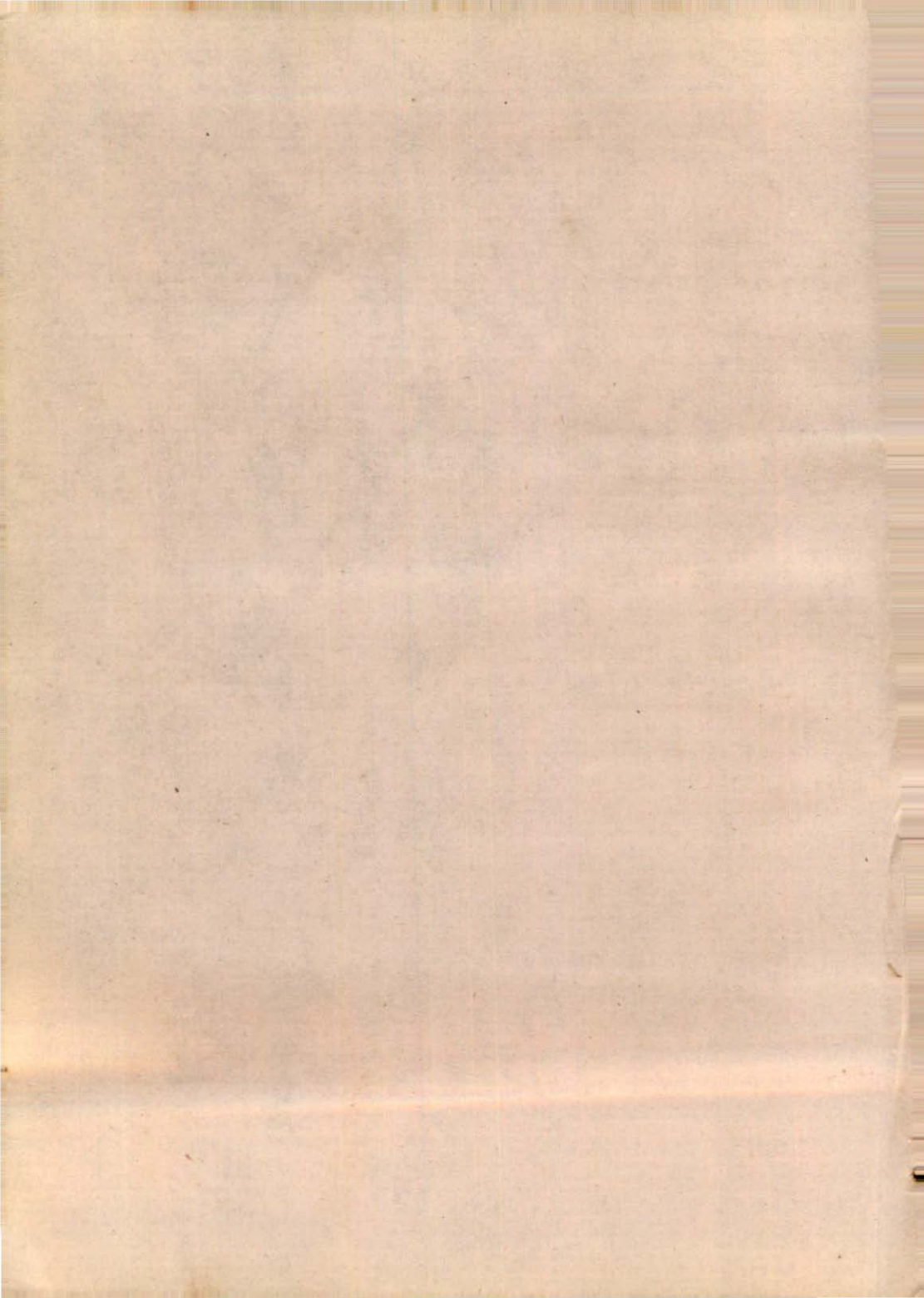
(Reference: Paragraph 4.1.2 (5) at Page 142)

Sl. no.	Name of work	Quantity in excess of 125 per cent and rate allowed	Amount paid Rs.	Quantum of tender deduction/rate	Extra expenditure Rs.
1.	R.B. Main Canal ch. 0 to 180 m.	(i) 11257m ³ Rs. 148.12/ 10m ³	1,66,739	29.5 per cent	49,188
		(ii) (a) 2774m ³ Rs. 156.34/m ³	4,33,687	"	1,27,938
		(b) 3292m ³ Rs. 263.61/m ³	8,67,804	"	2,56,002
2.	L.B. Main Canal ch.3,000 to 3,745	15800 m ³ Rs. 329.10/10m ³	5,19,978	12.4 per cent	64,477
3.	R.B. Main canal ch.24,000 to 24,508 m.	7931.83 m ³ Rs. 163.14/10m ³	1,29,400	35.5 per cent	45,937
4.	L. B. Main Canal ch. 12,100 to 12,700 m.	5 items	1,61,682	8.4 per cent	13,581
5.	L.B. Main Canal ch. 1,455 to 1,635 m.	4 items	58,244	21.7 per cent	12639
6.	L.B. Main Canal— stripping exit face of Tunnel No. 3 ch. 9,064 to 9,251m.	21303m ³ Rs. 366.66/10 m ³	7,81,095	8.75 per cent	68,345
7.	L.B. Main Canal stripping inlet face of Tunnel No. 2 ch.5,297 to 5,337m.	2414 m ³ Rs. 539.73/10 m ³	1,30,290	Rs. 407.79 10m ³	31,850
8.	Aqueduct across Chittor River ch. 4,535 to 4,685 m.	(i) 326.420 m ³	81,453	5.25 per cent	4,332
		(ii) 2.75 m ³	1,056		
			82,509		
9.	Cut and Cover at Thomcode ch. 20,230 to 20,562m.	21 items	4,22,787	23.5 per cent	99,355

APPENDIX 4.3—Concid.

Sl. no.	Name of work	Quantity in excess of 125 per cent and rate allowed	Amount paid Rs.	Quantum of tender deduction/rate	Extra expenditure Rs.
10.	L. B. Main Canal ch.26,616 to 27078 m.	1312.50m ³ <u>Rs. 167.22/10m³</u>	21,948	12.56 per cent	2,757
11.	L. B. Main Canal ch.26,616 to 27,078 m.	(i) 2655.67 m ³ <u>Rs. 167.22/10m³</u>	44,408	12.56 per cent	5,578
		(ii) 54.31 m ³ <u>Rs. 96.66/m³</u>	5,250	12.56 per cent	659
12.	L. B. Main Canal ch. 27836 to 28136m.	(i) 3161.125 m ³ <u>Rs. 153.66/m³</u>	48,574	23.20 per cent	
		(ii) 147.745 m ³ <u>Rs. 36.08/m³</u>	5,330	23.20 per cent	
		(iii) 18.335 m ³ <u>Rs. 82/10m³</u>	150 <u>54,054</u>	23.20 per cent	12,540
13.	L. B. Main Canal ch. 3,000 to 3,745 m.	17988 m ³ <u>Rs. 329.10/10m³</u>	5,91,985	12.4 per cent	73,406
14.	L.B. Main Canal ch. 26,616 to 27,078 m.	(i) 1853.991m ³ <u>Rs. 209.03/10m³</u>	38,754	Rs. 167.02/10/m ³ less 12.56 per cent	11,645
		(ii) 561.561 m ³ <u>Rs. 99.577/m³</u>	55,915	Rs. 79.66/m ³ less 12.56 per cent	16,800
		(iii) 266.583 m ³ <u>Rs. 120.82/m³</u>	32,209	Rs. 96.66/m ³ less 12.56 per cent	9,677
		(iv) 111.475 m ³ <u>Rs. 77.30/m³</u>	8,617	Rs. 61.84/m ³ less 12.56 per cent	2,587
		(v) 160.50/RM <u>Rs. 19.25/RM</u>	3,090	Rs. 15.40/RM Less 12.56 per cent	928
Grand Total					9,10,221





APPENDIX 4.4

Kallada Irrigation Project

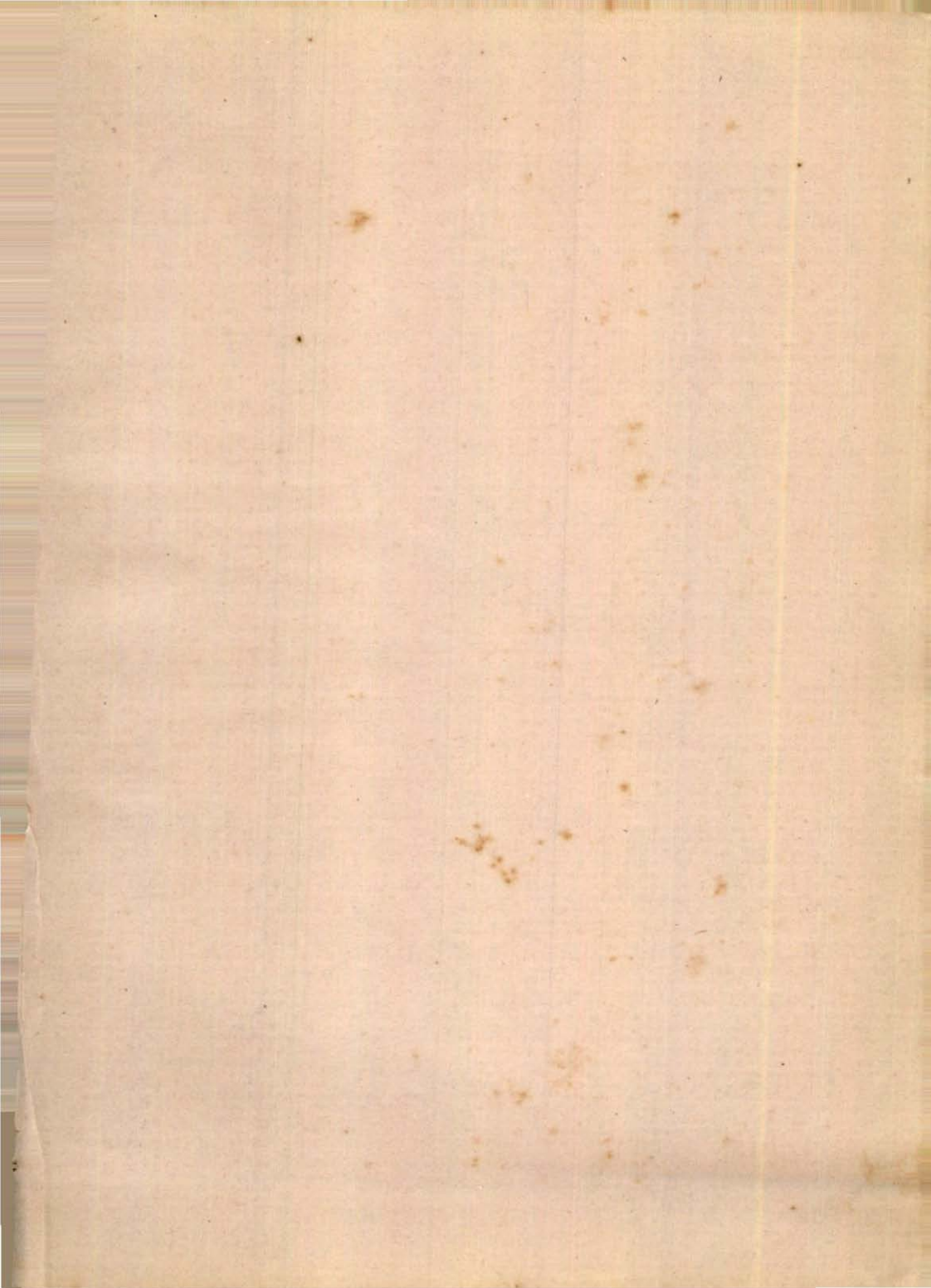
Details of cases referred to Arbitration

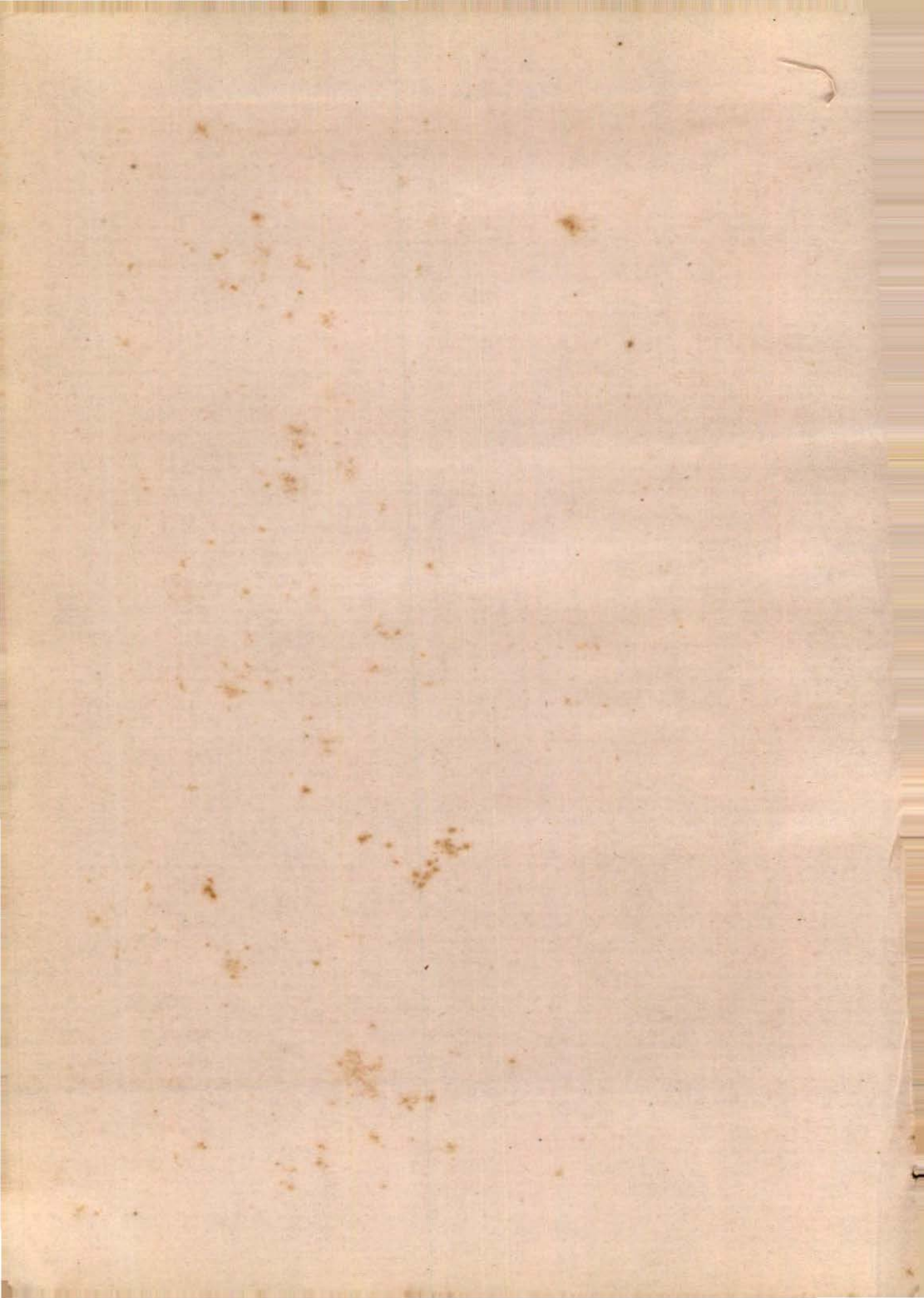
[Reference: paragraph 4.1.2 (5) (x) at page 151]

<i>Sl. no.</i>	<i>Name of work, month and amount of contract</i>	<i>Month of arbitration award and amount of additional expenditure arising from the award</i>	<i>Grounds of disputes leading to the award</i>
1.	Forming embankment across Musaliarpadam between ch. 2573.5 m to 2827 m; April 1978; Rs. 51.66 lakhs	January 1981 Rs. 3.65 lakhs	According to the contract, embankment was to be formed by placing materials in layers having thickness of not more than 15 cm. However, in the tender schedule, the specification was typed as not less than 15 cm. For placing the materials in layers having a thickness not more than 15 cm, the contractor claimed higher rates and this was awarded by the arbitrator.
„	„	August 1981 Rs. 4.74 lakhs	Grant of enhanced rates for 3 items.
2.	Construction of weir head regulator for right bank main canal at Ottakkal; March 1978; Rs. 11.74 lakhs	May 1982 Rs. 3.10 lakhs	Delay in supply of embedded parts for erecting the regulator, variation in structural design, etc.
3.	Formation of Sasthankotta canal from ch. 1000 m to 2000 m; February 1978 (Rs. 11.47 lakhs)	May 1982 Rs. 1.02 lakhs besides retention amount of Rs. 0.69 lakh forfeited	Grant of enhanced rates on account of delay in execution, attributable to departmental failure to fulfil contractual obligations.
4.	Formation of right bank main canal from ch. 38,000 m to 39,000 m (balance work), January 1978; Rs. 12.06 lakhs	July 1984 Rs. 3.13 lakhs	Variation in rock blasting from 7000 cubic metres to 13,142 cubic metres including 12,956 cubic metres of wet blasting although wet blasting was not envisaged in the estimate/contract.
5.	Formation of right bank main canal from ch. 35,000 m to 36,000 m; December 1976; Rs. 22.20 lakhs	February 1981 Rs. 3.09 lakhs April 1982 Rs. 0.79 lakhs	Change of design, increase in quantities, delay, extra cost for blasting, etc.

APPENDIX 4.4—Concl'd.

Sl. no.	Name of work, month and amount of contract	Month of arbitration award and amount of additional expenditure arising from the award	Grounds of disputes leading to the award
6.	Formation of right bank main canal from ch. 19,000 m to 19,520 m; June 1978; Rs. 12.98 lakhs	January 1982 Rs. 5.96 lakhs	Change in design, huge excess over agreed quantities under earth work excavation and rock blasting.
7.	Formation of right bank canal from ch. 19,520 m to 20,120 m; April 1978; Rs. 16.99 lakhs	May 1981 Rs. 5.96 lakhs	Change of design (from flume to open canal) and variation in quantities under earth work excavation and blasting of hard rock.
8.	Formation of right bank main canal from ch. 23421 m. to 24.000 m; December 1977; Rs. 22.39 lakhs	May 1981 Rs. 6.45 lakhs	Change of design (cut and cover with flume changed as rectangular cut and cover) and consequent delay in execution.
9.	Formation of right bank main canal from ch. 23,000 m to 23,421 m; June 1978 Rs. 10.82 lakhs	November 1981 Rs. 1.22 lakhs	Increase in length of tunnel, variation in quantities and extension of the period of completion.
10.	Constructing an aqueduct from right bank main canal at Karavur from ch. 15,594.25 m to 15,754.25 m; January 1978; Rs. 25.07 lakhs	April 1982 Rs. 6.26 lakhs	From seven spanned closed barrel design of aqueduct changed to open aqueduct of 8 spans and consequent delay, besides increase in quantities.
11.	Formation of left bank canal from ch. 44,233.5 m to 44,973.5 m; November, 1981; Rs. 9.41 lakhs	January 1984 Rs. 3.98 lakhs	Variation in quantities, general increase on the plea of revision of departmentale schedule of rate, etc. Department has proposed to file an appeal.
12.	Formation of left bank main canal from ch. 17,100 m to 17,700 m; August 1981; Rs. 14.15 lakhs	January 1985 Rs. 0.50 lakh	Increase in cost due to delay (time of completion was extended thrice). The Arbitrator held that grant of extension showed that there was no wilful negligence, on the part of the contractor and hence he was to be compensated for the increase in cost. Department has proposed to file an appeal.





APPENDIX 4.5

**Reasons for the delay in the settlement of balances under
Cash Settlement Suspense Account**

(Reference: Paragraph 4.10 at page 179)

<i>Sl. no.</i>	<i>Reasons</i>	<i>Name of originating Division</i>	<i>Number of responding divisions/ name of responding divisions</i>	<i>Amount (in lakhs of rupees and number of items)</i>	<i>Earliest year</i>	<i>Remarks</i>
1.	Want of Funds/ Letter of credit	(a) PWD District Stores, Cannanore	18	3,53.90 (875 items)	1980-81	
		(b) District Stores, Trichur	22	2,03.01 (*)	1978-79	
		(c) District Stores, Quilon	12	1,84.79 (*)	1976-77	No response from the responding divisions.
		(d) District Stores, Trivandrum	63	4,75.07 (*) @	1978-79	Delay in settlement on the part of responding divisions was attributed to want of funds/letter of credit.
		(e) Buildings & Roads Manjeri	10	1,32.14 (140 items)	1980-81	
2.	Claims in dispute	(a) Buildings & Roads, Palghat	Superintendent of post Office Ottapalam	0.05 (one item towards land acquisition charges for the Post office building, Shoranur and Sreekrishnapuram)		Claim was irregularly routed through GSS Account.
		(b) Pazhassi Irrigation Division No. II, Cannanore	Buildings & Roads Division, Calicut	0.07 (*)	1982-83	The responding division refused to give demand draft.

*Information awaited.

@ The balance in District Stores, Trivandrum included Rs. 1,91.56 lakhs outstanding against District Stores, Calicut towards billets consigned to the latter division against purchase made by the former. Other major defaulters in effecting settlement were Buildings and Roads Division, Trivandrum (Rs. 57.20 lakhs), Buildings Division, Trivandrum (Rs. 56.03 lakhs), Additional Buildings Division, Trivandrum (Rs. 41.86 lakhs), Minor Irrigation Division, Trivandrum (Rs. 20.74 lakhs), etc.

APPENDIX

Details of purchase and utilisation of cast iron sluice

(Reference: Paragraph

Sl. no.	Name of division	Quantity and value purchased	
		No.	Value (in lakhs of rupees)
1.	AVIP Division, Agali	4,116	174.75
2.	Do.	300	12.49
3.	Kanhirapuzha Irrigation Project Division No. III, Cherplacherry	48	2.00
4.	Irrigation Division, Chittur	250	12.22
5.	Irrigation Division, Malampuzha	101	4.18
6.	Pazhassi Irrigation Project Division No. I, Mattannur	290	11.28
7.	Do. No. II, Cannanore	220	9.99
8.	Do. No. III, Taliparamba	115	3.87₹
9.	Karapuzha Project Division, Kalpetta	216	9.27
10.	Kuriarkutty-Karappara Irrigation Division, Kozhinjampara	172	7.95

*Utilised by three other divisions of the Kuttiady Irrigation Project to which the sluice

**Excludes 1,200 sluice valves and accessories (cost: Rs. 55.56 lakhs) transferred to Kallada accessories (cost: Rs. 46.78 lakhs) transferred to the three divisions of the Kuttiady ciled by the divisions.

₹Does not include cost of accessories.

@76 numbers of sluice valves (cost: Rs. 2.90 lakhs) were transferred to Kanhirapuzha Irri-

5.1

valves and accessories as furnished by the divisions

5.1 at pages 180 and 181)

<i>Period of supply</i>	<i>Quantity utilised</i>		<i>Balance</i>	
	<i>No.</i>	<i>Value</i> <i>(in lakhs of rupees)</i>	<i>No.</i>	<i>Value</i> <i>(in lakhs of rupees)</i>
June 1981 to May 1983	174*	8.32	1,617** (November 1985)	70.99**
June 1984 to January 1985	..	..	300 (March 1985)	12.49
June 1983	48	2.00	..	..
June 1981 to March 1984	130	6.32	120 (July 1985)	5.90
Do.	38	1.72	63 (June 1985)	2.46
February & March 1984	..	..	290 (October 1984)	11.28
Do.	..	..	220 (January 1985)	8.99
January 1984 and May 1984	..	..	115 (June 1984)	3.87
March 1984	..	..	216 (November 1984)	9.27
September- October 1981	33	1.35	63	3.70@

valves & accessories were transferred by AVIP Division, Agali.

Irrigation Project (Right Bank) Division No. III, Adoor and another 1,018 valves and Irrigation Project. Does not include 107 valves also as discrepancies are yet to be recon-

gation Project Division No. III, Cherplacherry in June 1984.

APPENDIX 5.2

Stores and stock accounts not received/not certified being defective

(Reference: Paragraph 5.5 at page 186)

Sl. no.	Department	Officer from whom the stock accounts and/or revised stock accounts are due	Nature of stores	Period for which stock accounts have not been received	Period for which stock accounts have not been certified
(1)	(2)	(3)	(4)	(5)	(6)
1.	Agriculture	Director of Agriculture	Plant protection materials and equipment, agricultural implements and appliances, fertilisers, manures, seeds, grafts and other produce	1982-83 to 1984-85	1977-78 to 1981-82
2.	Agriculture	Director of animal Husbandry	Livestock, eggs, feeds. equipment and instruments, medicines and chemicals	1979-80 to 1984-85	..
3.	Fisheries and Ports	Director of Ports	Paints, iron materials, fuel oil and lubricants, wire, nylon and coir ropes, spares parts of departmental crafts and other items	1981-82 to 1984-85	1975-76 to 1980-81
4.	Fisheries and Ports	Director of Fisheries	Apparatus, chemicals, nylon yarns, spare parts of marine diesel engines and diesel engines	1980-81 to 1984-85	..
5.	Scheduled Castes and Scheduled Tribes Development	Director of Harijan Welfare	Tools and Plant, equipment, raw materials, manufactured articles and furniture	1979-80 to 1984-85	1975-76 to 1978-79
6.	General Administration	Director of Public Relations	Roll films, colour films, photographic paper, chemicals and bulbs, retouching pencils, retouching medium, poster colour, etc.	1980-81 to 1984-85	1979-80



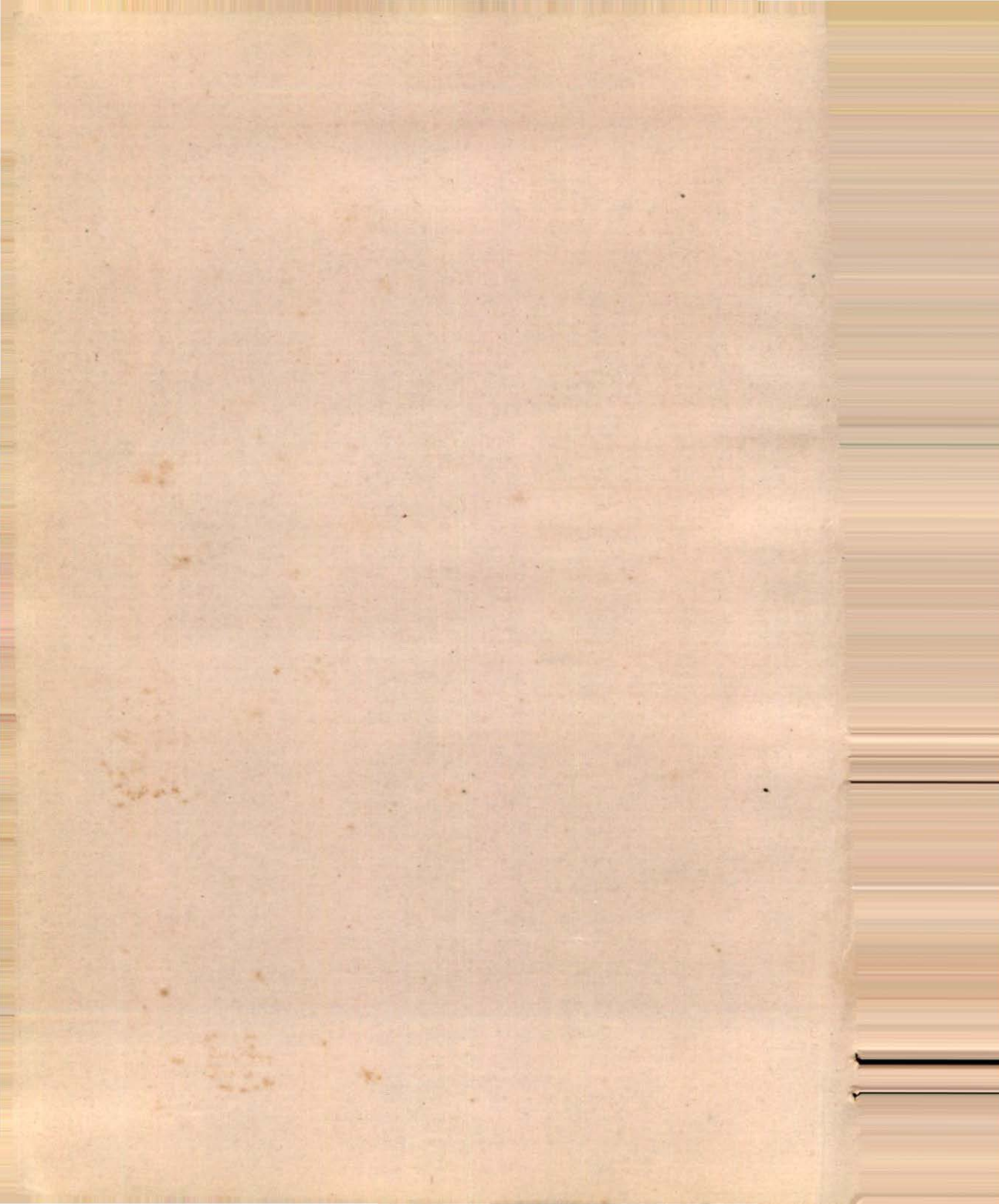


APPENDIX 5.2—(Contd.)

<i>Sl. no.</i>	<i>Department</i>	<i>Officer from whom the stock accounts and/or revised stock accounts are due</i>	<i>Nature of stores</i>	<i>Period for which stock accounts have not been received</i>	<i>Period for which stock accounts have not been certified</i>
(1)	(2)	(3)	(4)	(5)	(6)
7.	HEALTH AND FAMILY WELFARE Government Medical Stores, Trivandrum and the District Medical Stores	Director of Health Services	Medicines and dressings, equipment, instruments and appliances, uniform, bedding and clothing, laboratory requisites, etc.	1980-81 to 1984-85	1977-78 to 1979-80
8.	Transport wing of the Directorate of Health Services	Director of Health Services	Tyres, tubes, batteries, vehicle spare parts, consumable and general stores, tools and plant	1976-77 to 1984-85	1973-74, 1974-75 and 1975-76
9.	Department of Indian Systems of Medicines	Director of Indian Systems of Medicines	Medicines, dietary articles, fuel, raw materials, prepared medicines, pharmacognosy publications, printing papers, chemicals and laboratory materials, glassware and other perishable articles, garden implements, hospital appliances, linen and bedding, uniform and artists' materials	1979-80 to 1984-85	1977-78 and 1978-79
10.	Ayurveda College, Trivandrum	Principal	Medicines, dietary articles, fuel, raw materials, prepared medicines, pharmacognosy publications, printing papers, chemicals and laboratory materials, glassware and other perishable articles, garden implements, hospital appliances, linen and bedding, uniform and artists' materials	1981-82 to 1984-85	1979-80 and 1980-81

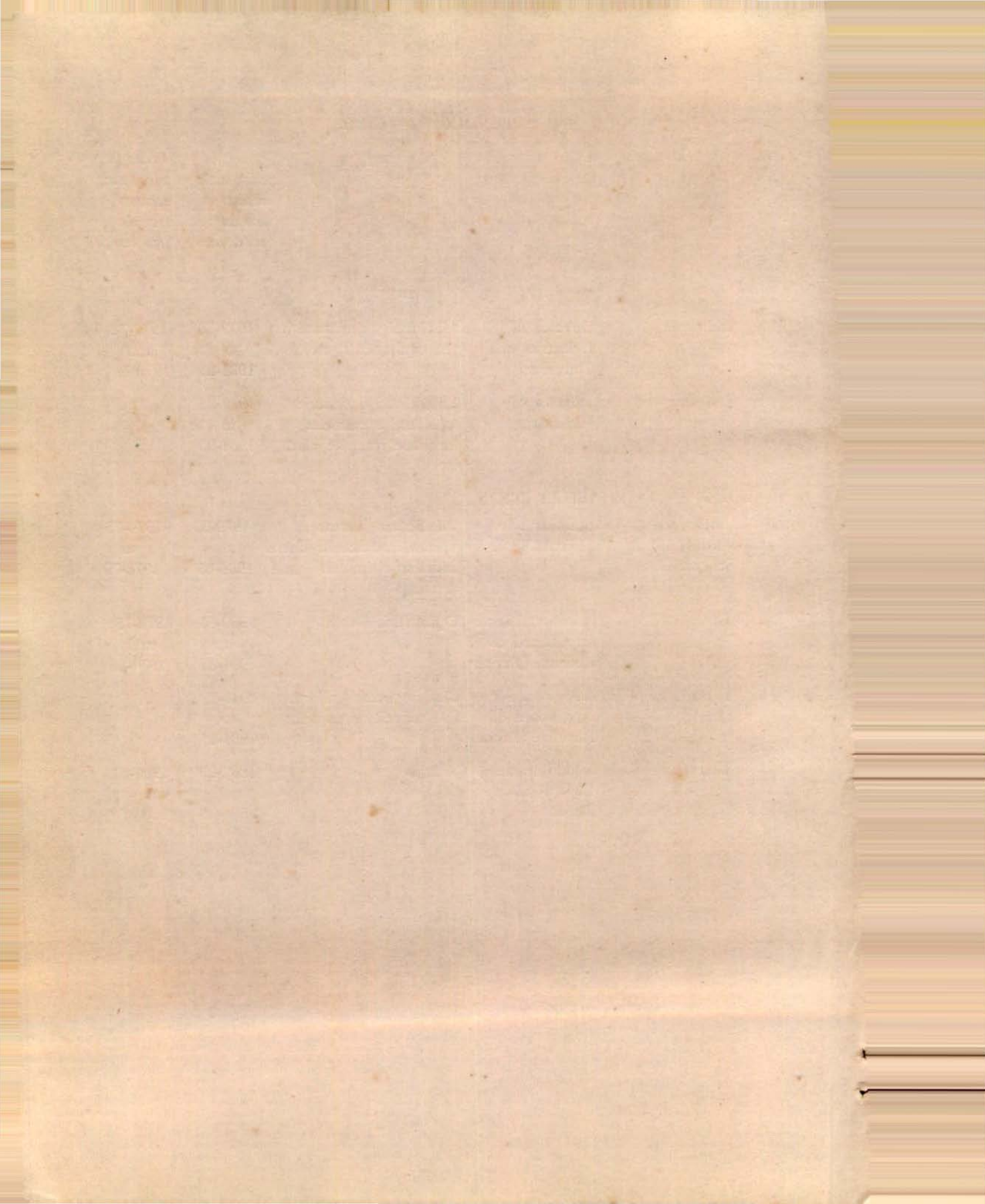
APPENDIX 5.2—(Contd.)

Sl. no.	Department	Officer from whom the stock accounts and/or revised stock accounts are due	Nature of stores	Period for which stock accounts have not been received	Period for which stock accounts have not been certified
(1)	(2)	(3)	(4)	(5)	(6)
11.	Ayurveda College, Trippunithura	Principal	Medicines, dietary articles, fuel, raw materials, prepared medicines, pharmacognosy publications, printing papers, chemicals and laboratory materials, glassware and other perishable articles, garden implements, hospital appliances, linen and bedding, uniform and artists' materials	1983-84 & 1984-85	1979-80 to 1982-83
12.	Department of Homoeopathy	Director of Homoeopathy	Medicines, dietary articles, sundries and fuel	..	1981-82 to 1984-85
HIGHER EDUCATION					
13.	Stationery Stores	Controller of Stationery	Paper, boards, books, envelopes, binding materials, ink, ribbons, machine spares, etc.	1981-82 to 1984-85	..
14.	Government Presses	Director of Printing and Stationery	Consumable stores, types and type-metal, binding materials, publications, forms, etc.	1980-81 to 1984-85	..
HOME					
15.	Police	Director General of Police	Clothing items, miscellaneous items like time piece, ground sheets, Ashoka Emblem, whistle, number plates, etc., arms, ammunitions and wireless goods	1980-81 to 1984-85	..
16.	Fire Force	Commandant General, Fire Force	Fire appliances, fire fighting equipments & miscellaneous items	1982-83 to 1984-85	..



APPENDIX 5.2—(Concl'd.)

<i>Sl. no.</i>	<i>Department</i>	<i>Officer from whom the stock accounts and/or revised stock accounts are due</i>	<i>Nature of stores</i>	<i>Period for which stock accounts have not been received</i>	<i>Period for which stock accounts have not been certified</i>
(1)	(2)	(3)	(4)	(5)	(6)
17.	Industries	Director of Industries and Commerce	Machinery, raw materials, equipments, etc.	1979-80 to 1984-85	1977-78 and 1978-79
18.	Industries	Director of Handloom	Looms and accessories, tools and accessories, furniture, yarn & cloth, etc.	1982-83 to 1984-85	..
LABOUR AND REHABILITATION					
19.	Employees' State Insurance Scheme	Administrative Medical Officer	Medicines, tincture, opium, instruments, linen articles, chemicals and dressings	1979-80 to 1984-85	1974-75 to 1978-79
20.	Taxes	Additional Secretary, Board of Revenue (Excise)	Opium and Ganja	1980-81 to 1984-85	1978-79 and 1979-80
21.	Taxes	Additional Secretary, Board of Revenue (Excise)	Clothing items, uniform and miscellaneous items	1981-82 to 1984-85	..
22.	Taxes	Superintendent, Central Stamp Depot	Stamps	1982-83 to 1984-85	1980-81 and 1981-82



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