REPORT OF
THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

(CIVIL)

GOVERNMENT OF KERALA

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PREFACE

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

Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2005.

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

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

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2004-05 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 2004-05 have also been included wherever necessary.

OVERVIEW

This Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Kerala for the year 2004-05 and three others comprising four reviews including one information technology review, one long paragraph and twenty six paragraphs (including two general paragraphs) dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

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

A summary of the financial position of the State and the audit findings as well as recommendations is given below.

1. Financial Position of the State Government

Both revenue and fiscal deficits continued to remain high. The non-plan expenditure on revenue account alone exceeded the revenue receipts by 4 *per cent* in the current year and interest payments consumed 27 *per cent* of the revenue receipts. Plan expenditure was only 21 *per cent* of total expenditure while the share of capital expenditure was just 4 *per cent*. Fiscal liabilities had been steadily rising and so were its ratio to Gross State Domestic Product endangering the debt sustainability.

Return on the Government's investment in Statutory Corporations, Government Companies, other Joint Stock Companies, Co-operative Banks and Societies, etc., was negligible.

Against the total budget provision of Rs 27884.63 crore, the expenditure was Rs 30419.70 crore. The excess was mainly due to large repayment of Ways and Means Advances and Overdraft (Rs 5824.06 crore) received from the Reserve Bank of India and adjustment of Block loans through debt swap scheme by the Government of India at the fag end of the year (Rs 561.20 crore) requiring regularization under Article 205 of the Constitution of India.

2. Implementation of Acts and Rules relating to Consumer Protection

Audit findings	Recommendations
The implementation of Consumer Protection Act in the State was not effective. There was no co-ordination between the Department implementing the Act and the Departments enforcing the other specific Acts relating to protection of consumer interest. General awareness about the Act among consumers was	*In order to have a better co-ordination, the activities and functions for welfare and protection of consumers entrusted to different agencies may be brought under an exclusive Consumer Affairs Department by the*

lacking; Consumer Information Centres were not set up in all the Districts. Consumer Welfare Fund for extending financial support to needy consumers and Consumer Protection Councils in the Districts to protect the interests of consumers were not set up. Only 55 *per cent* of the fund sanctioned during 1995-99 to improve the infrastructure of Consumer Dispute Redressal Agencies could be utilised even after 7 years. Consumer Dispute Redressal Commission/Forums in the State suffered owing to vacancies of President/ Members, inadequate staff and non-observance of working hours on par with that of State Government offices.	*Government. Vacancies of Presidents/Members of Consumer Courts may be filled up to ensure proper functioning. Infrastructure facilities like buildings, communication equipment, etc., may be provided to all the consumer courts. Measures to generate and promote consumer awareness may be taken up by setting up Consumer Protection Councils, District Consumer Information Centres, etc.*

3. Attappady Wasteland Comprehensive Environmental Conservation Project

Audit findings	Recommendations
Attappady Wasteland Comprehensive Environmental Conservation Project was started in 1996 with a view to arrest the process of degradation of the environment and to improve the livelihood of the affected tribal community. The original Project cost of Rs 91.05 crore worked out in 1993 was enhanced by 141 *per cent* at the time of signing the agreement in 1996 with Japan Bank for International Co-operation for financing the Project without correct assessment of the magnitude and capacity of the Project to absorb the enhanced cost. Only 30 *per cent* of the Project cost could be spent by March 2005. Large savings prompted restructuring the Project by venturing into areas that were the domains of other Departments and Local Bodies. The project area for restoration had been incorrectly assessed. A mid term survey revealed that only 245 sq.km area was available for restoration as against 507 sq. km originally envisaged. Even out of this reduced area only 30 *per cent* could be covered. Widespread human intervention as well as activities detrimental to environment were noticed in the project area.	*Optimum utilisation of borrowed funds and better fiscal management should be ensured by giving priority to environmental restoration components within a specific time frame. Activities detrimental to environment in the area may be prevented in consultation with the Controlling Departments. The need for involving Attapady Hills Area Development Society in the activities assigned to other designated State agencies needs to be reviewed.*

4. Recruitment Application Processing System in Kerala Public Service Commission (REACT)	
Audit findings	**Recommendations**
Kerala Public Service Commission lacked a clear IT strategy for implementation of Information Technology in its operations and this resulted in spending huge amount of public money without getting the full intended benefits. Software relating to Phase III of computerization costing Rs 21.60 lakh is still under development since January 2004 resulting in idling of hardware costing Rs 47.57 lakh. Investment of Rs 66.94 lakh on IT assets in Phase II was rendered redundant due to continuing manual data entry. There was underutilisation of Optical Mark Reader machines. The present system of valuation of answer sheets was vulnerable to risk of loss of data and data integrity.	*Proper IT strategy may be framed covering organisational aspects and use of IT assets in order to have better monitoring of the IT processes and proper utilisation of automated solution like REACT. Incomplete maintenance of logbook of scanning of answer sheets is a risk area requiring immediate rectification. IT security policy including physical and logical access control may be devised, documented and implemented.*

5. Diagnostic services in Government Medical Colleges	
Audit findings	**Recommendations**
Diagnosis of disease is scientifically done through clinical and radiological investigation using diagnostic tools. It helps doctors in making early and accurate diagnosis of the diseases and charting out the treatment plan. The diagnostic facilities of the Government Medical Colleges were found to be deficient mainly due to lack of modern equipment, defects in the available equipment, shortage of manpower, absence of quality control measures, etc. Several special investigations essential for proper diagnosis of the diseases were not being conducted in the Medical College Hospitals. There was no uniform procedure for identifying the poor patients eligible for free service. There was no Manual of Procedure for regulating the functions of the clinical and radiological lab services. None of the laboratories in the Medical Colleges had made any attempt to get accreditation from the National Accreditation Board to ensure the quality of services being provided.	*The Medical Colleges may be equipped with modern equipment to enable proper diagnosis. An effective system may be evolved to recover user charges from those who could afford to pay. Manual of Procedure for regulating clinical labs/radiology services may be prepared and adequate quality control measures put in place in association with accredited labs.*

6. Internal Control System in Government Departments - Tourism Department

Audit findings	Recommendations
A built-in Internal Control system and proper adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities and help to protect resources against loss due to waste, abuse, mismanagement, etc. Internal control system in Tourism Department was very weak and the in-built controls were inadequate when compared to the range of activities of the Department. There were persistent savings ranging from 16 to 24 *per cent* which is indicative of lack of budgetary control. There was no effective monitoring of expenditure, leading to surrender of savings on the last working day of the financial year. Advances totalling Rs 5.47 crore were pending adjustment for period upto seventeen years. There was no mechanism to monitor the utilisation of central assistance or the funds released by the department to the implementing agencies, etc., and to watch the progress of tourism promotion projects. No proper controls were exercised by the Department in the functioning of Guest Houses. Internal audit was confined to inspection of stores and accounts for the purpose of issuing non-liability certificates in retirement cases.	*Compliance with rules relating to preparation of Budget estimates and Budgetary control may be ensured. Prescribed procedures for accountal of cash including handling of cash should be strictly adhered to. The controls prescribed for incurring of expenditure including maintenance of proper registers, consolidation of monthly expenditure, watch over timely receipt of monthly expenditure returns, etc., should be strictly enforced.* *Inspection of accounts of the Guest Houses requires strengthening. An independent and full-fledged Internal Audit Wing may be set up with the mandate to audit all institutions regularly and to provide reasonable assurance regarding the adequacy and effectiveness of internal controls.*

7. Audit of Transactions

Besides the above, audit of financial transactions, subjected to test check in various Departments of Government and their field functionaries revealed instances of loss, wasteful expenditure and other irregularities involving Rs 207.99 crore as mentioned below:

Violation of contractual obligations amounting to Rs 93.27 crore in Public Works and Rs 97 lakh in Water Resources Departments were noticed, in addition to overpayment of Rs 45 lakh in the Finance Department and infructuous expenditure of Rs 86 lakh in Agriculture Department.

Avoidable/excess expenditure of Rs 25.39 crore was noticed in Health and Family Welfare (Rs 21.39 crore), Higher Education (Rs 43 lakh), Public Works (Rs 1.26 crore) and Water Resources (Rs 2.31 crore) Departments. The above cases of extra expenditure included a case where on account of non-inclusion of price variation clause in the rate contract for purchase of medicine and delay in finalisation of rate contract, there was extra expenditure of Rs 85 lakh.

Idle investment/blockage of funds amounting to Rs 30.87 crore was noticed in Finance (Rs 29 lakh), General Education (Rs 1.80 crore), Health and Family Welfare (Rs 94 lakh), Home (Rs 87 lakh), Housing (Rs 17.38 crore), Industries (Rs 8.77 crore), and Scheduled Castes and Scheduled Tribes Development (Rs 82 lakh) Departments. These cases of idle investment included a case where Rs 94 lakh were spent on purchase of carcass removal vehicles which had not been put to use.

Delay in commissioning of an equipment costing Rs 2.10 crore in Health and Family Welfare Department was also noticed.

Apart from these, there were regularity issues and other points involving Rs 54.08 crore in General Education (Rs 3.65 crore), Industries (Rs 30 lakh), Local Self Government (Rs 28.01 crore) and Water Resources (Rs 22.12 crore) Departments.

A [illegible] of Rs. 22.25 crore was booked in Health and Family Welfare (Rs. [illegible] crore), Higher Education (Rs. [illegible] lakh), Public Works (Rs. [illegible] crore) and Water Resources (Rs. 2.51 crore) Departments. The [illegible] of [illegible] expenditure included cases where [illegible] for purchase of medicines and [illegible] in [illegible] expenditure of Rs. [illegible] lakh.

[illegible] Rs. 10.87 crore was noticed in Finance (Rs. [illegible]), [illegible] Health and Family Welfare (Rs. [illegible]), Public Works (Rs. [illegible]) [illegible] Development (Rs. [illegible]) Departments. [illegible]

[illegible] of [illegible] Rs. 2.70 crore in Health and Family Welfare [illegible]

Audit [illegible] Water Resources [illegible] Departments.

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I
FINANCES OF THE STATE GOVERNMENT

Summary

The revenue receipts during the year grew by 14.3 *per cent* to Rs 13500 crore from Rs 11815 crore in the previous year. The revenue expenditure during the year grew by only 10.8 *per cent* which resulted in a marginal reduction in the revenue deficit which stood at Rs 3669 crore compared to Rs 3680 crore in 2003-04.

During the current year, the contribution of States' own taxes in its revenue receipts declined to 66.4 *per cent* from 68.5 *per cent* in 2003-04; the contribution of Central tax transfers and grant-in-aid increased to 27.5 *per cent* in 2004-05 from 24.7 *per cent* in 2003-04. Sales tax was the major source of the State's own tax revenue having contributed 75 *per cent* followed by State Excise (8 *per cent)* and Taxes on Vehicles (7 *per cent).*

During the year, revenue expenditure constituted 95.1 *per cent* of total expenditure. On an average capital expenditure formed only 4.3 *per cent* during the five years 2000-05.

The fiscal liabilities increased by 70 *per cent* during 2000-05 and stood at Rs 43697 crore in 2004-05 i.e., 3.2 times of the revenue receipts. At the end of 2004-05, the fiscal liabilities stood at the level of nearly 44 *per cent* of GSDP. These liabilities are cause of concern for sustained growth and development in the medium to long-term basis.

Large revenue and fiscal deficits year after year show continued macro fiscal imbalances. Though it is not uncommon for the State to borrow for widening its infrastructure and for creating income-generating assets, an ever increasing ratio of fiscal liabilities to GSDP with a large revenue deficit could lead the State finances in a debt trap. Government should strive in the years to come to reduce revenue deficit and fiscal deficit by additional resource mobilisation through tax reforms, compression of non-developmental revenue expenditure and prudent debt management in order to achieve the target of zero revenue deficit and fiscal deficit to two *per cent* of GSDP by March 2007 envisaged in the Kerala Fiscal Responsibility Act, 2003.

1.1 Introduction

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

Box 1.1
Lay out of Finance Accounts

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

Statement No.2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2004-05.

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

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

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

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

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

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No.9 shows the revenue and expenditure under different heads for the year 2004-05 as a percentage of total revenue/expenditure.

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

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

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

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2004-05.

Statement No.14 shows the details of investment of the State Government in Statutory Corporations, Government Companies, other joint stock companies, co-operative banks and societies, etc., up to the end of 2004-05.

Statement No.15 depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

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

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

Statement No.18 provides the detailed account of loans and advances given by the Government of Kerala, the amount of loan repaid during the year and the balance as on 31 March 2005.

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

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

1.2 Trend of Finances with reference to the previous year

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

(Rupees in crore)

2003-04	Sl. No	Major Aggregates	2004-05
11815	**1.**	**Revenue Receipts (2+3+4)**	**13500**
8089	2.	Tax Revenue	8963
807	3.	Non-Tax Revenue	819
2919	4.	Other Receipts	3718
73	**5.**	**Non-Debt Capital Receipts**	**95**
73	6.	*Of which* Recovery of Loans and Advances	95
11888	**7.**	**Total Receipts (1+5)**	**13595**
14308	**8.**	**Non-Plan Expenditure (9+11+12)**	**14094**
13101	9.	On Revenue Account	14063
3328	10.	*Of which* Interest Payments	3613
33	11.	On Capital Account	25
1174	12.	Loans and Advances disbursed	6
3119	**13.**	**Plan Expenditure (14+15+16)**	**3953**
2394	14.	On Revenue Account	3106
607	15.	On Capital Account	657
118	16.	Loans and Advances disbursed	190
17427	**17.**	**Total Expenditure (8+13)**	**18047**
5539	**18.**	**Fiscal Deficit (17-1-5)**	**4452**
3680	**19.**	**Revenue Deficit (9+14-1)**	**3669**
2211	**20.**	**Primary Deficit (18-10)**	**839**

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the Government of Kerala for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements, Contingency Fund receipts and disbursements and Public Account receipts and disbursements made during the year as emerging from Statement 1 of Finance Accounts and other detailed statements.

Table 1 - Summary of receipts and disbursements for the year 2004-05 (Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
			Section-A: Revenue				
					Non-Plan	**Plan**	**Total**
11815.37	**Revenue receipts**	**13500.49**	**15495.67**	**Revenue expenditure**	**14063.40**	**3106.01**	**17169.41**
8088.77	Tax revenue	8963.65	7397.93	General services	7832.54	153.27	7985.81
806.98	Non-tax revenue	819.09	5025.21	Social Services	4776.82	1102.58	5879.40
2012.01	Share of Union Taxes/Duties	2404.95	2999.35	Economic Services	1456.68	1850.16	3306.84
907.61	Grants from Govt. of India	1312.80	73.18	Grants-in-aid / Contributions	(-) 2.64	--	(-) 2.64
3680.30	**Revenue Deficit carried over to Section B**	**3668.92**					
15495.67	**Total Section - A**	**17169.41**	**15495.67**	**Total Section - A**	**14063.40**	**3106.01**	**17169.41**
			Section-B: Capital				
(-) 103.22	**Opening Cash Balance**	**(-) 226.64**	**164.85**	**Opening Overdraft from Reserve Bank of India**	**280.64**		**280.64#**
--	**Miscellaneous Capital Receipts**	**0.02**	**639.71**	**Capital Outlay**	**24.65**	**657.09**	**681.74**
72.89	**Recoveries of Loans and Advances**	**95.23**	**1291.94**	**Loans and Advances disbursed**	**6.40**	**190.09**	**196.49**
			3680.30	**Revenue Deficit brought down from Section A**	**3668.92**	--	**3668.92#**
6992.46	**Public debt receipts***	**6596.22**	**2341.25**	**Repayment of Public Debt***	**2277.43**	--	**2277.43#**
				Appropriation to Contingency Fund	**75.00**	--	**75.00#**
--	**Contingency Fund receipts**	**91.88**	**16.88**	**Contingency Fund disbursements**	**15.04**	--	**15.04#**
26147.18	**Public Account receipts**	**33681.02**	**25481.66**	**Public Account disbursements**	**33136.43**	--	**33136.43#**
280.64	**Closing Overdraft from Reserve Bank of India**	--	**(-) 226.64**	**Cash Balance at end**	**(-) 93.96**	--	**(-) 93.96#**
33389.95	**Total – Section B**	**40237.73**	**33389.95**	**Total – Section B**	**39390.55**	**847.18**	**40237.73**

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

1.4 Audit Methodology

1.4.1 Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2004-05 and wherever necessary, show these in the light of time series data and periodic comparisons **(Appendix I to IV)**. The reporting parameters are depicted in the Box 1.2.

Box 1. 2 **Reporting Parameters**
Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the State Government have been used.
For tax revenues, non-tax revenues, revenue expenditure, etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.
The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in **Appendix V**.

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

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

Box 1.3 **State Government Funds and the Public Account**	
Consolidated Fund	**Contingency Fund**
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled The Consolidated Fund of State established under Article 266(1) of the Constitution of India.	Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Public Account

Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursement are made from it.

State Finances by key indicators

1.5 Resources by volumes and sources

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

1.5.2 Table 2 shows that the total receipts of the State Government for the year 2004-05 was Rs 53965 crore. Of which, the revenue receipts of the State Government was Rs 13500 crore only, constituting 25 *per cent* of the total receipts. The balance of receipts came from borrowings, receipts from Contingency Fund and Public Account.

Table 2 – Resources of Kerala

(Rupees in crore)

I Revenue Receipts			***13500.49***
II Capital Receipts			***6691.47***
a	*Miscellaneous Receipts*	*0.02*	
b	*Recovery of Loans and Advances*	*95.23*	
c	*Public Debt Receipts**	*6596.22*	
III Contingency Fund Receipts			***91.88***
IV Public Account Receipts			***33681.02***
a	*Small Savings, Provident Funds, etc.*	*7896.44*	
b	*Reserve Funds*	*358.13*	
c	*Deposits and Advances*	*2231.11*	
d	*Suspense and Miscellaneous*	*18318.31*	
e	*Remittances*	*4877.03*	
Total Receipts			***53964.86***

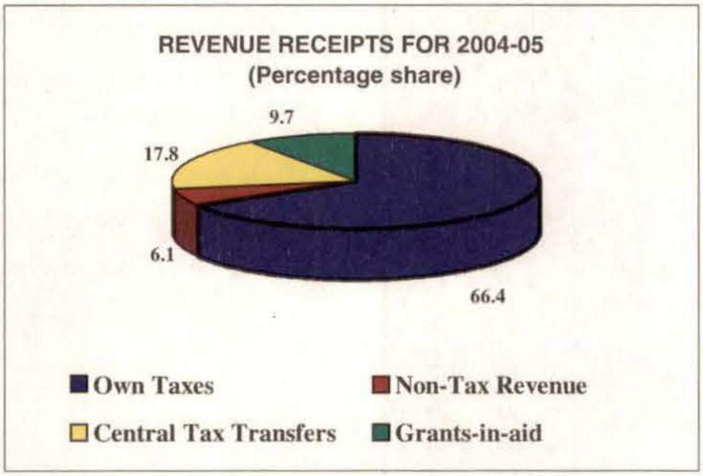
* Excludes ways and means advances from Reserve Bank of India

Revenue receipts

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts (RR)	8731	9056	10634	11815	13500
Own Taxes	67.2	65.4	68.7	68.5	66.4
Non-Tax Revenue	7.5	6.0	6.4	6.8	6.1
Central tax Transfers	18.2	17.8	16.1	17.0	17.8
Grants-in aid	7.1	10.8	8.8	7.7	9.7
Rate of Growth (ROG) of RR	9.9	3.7	17.4	11.1	14.3
ROG of Own Taxes	13.0	0.9	23.3	10.8	10.8
Revenue Receipt/GSDP	12.5	12.5	13.2	13.1	13.5
Revenue Buoyancy	0.9	1.0	1.5	1.0	1.3
Own Taxes Buoyancy	1.1	0.2	2.0	0.9	0.9
GSDP Growth	11.6	3.7	11.7	11.5	11.3



1.5.4 Revenue receipts of the State increased from Rs 11815 crore in 2003-04 to Rs 13500 crore in 2004-05; the growth rate being 14.3 *per cent* compared to 11.1 *per* cent in the previous year. The growth rate of revenue receipts was less than 10 *per cent* during 2000-01 and 2001-02 but peaked to 17.4 *per cent* in 2002-03. During 2003-04 and 2004-05, the growth rate declined. The contribution of the State's own taxes in its total revenue receipts decreased from 68.5 *per cent* in 2003-04 to 66.4 *per cent* in 2004-05.

1.5.5 Sales tax was the major source of State's own tax revenue during the year having contributed 75 *per cent* followed by State Excise (8 *per cent*), Taxes on Vehicles (7 *per cent*) and Stamps and Registration fees (9 *per cent*). The significant increase in the tax revenue during the year over 2003-04 was mainly on Sales Tax (Rs 710 crore) and State Excise (Rs 90 crore).

1.5.6 Of non-tax revenue sources, receipts from Forest and Wildlife (24 *per cent*) and from State Lotteries (19 *per cent*) were principal contributors. However, though the receipts under State Lotteries were Rs 151.38 crore during the year, with equally high expenditure of Rs 120.83 crore, the net yield from lotteries was only Rs 30.55 crore. The Medium Term Fiscal Reforms Programme agreed to by the Government of Kerala with Government of India provides for improving cost recoveries for Government services by enhancing user charges periodically and bringing new areas of Government services for cost recovery. However, the contribution of non-tax revenue in its total revenue receipts decreased from 7.5 *per cent* in 2000-01 to 6.1 *per cent* in 2004-05.

1.5.7 The contribution of Central taxes assigned to the State in terms of the recommendations of Eleventh Finance Commission, duties and grants-in-aid in the revenue receipts increased from 25.3 *per cent* in 2000-01 to 27.5 *per cent* in 2004-05. Both Central tax transfers and grants-in-aid increased during 2004-05 compared to previous year. The significant increase in grants-in-aid from Government of India during the year compared to previous year was mainly due to grants from National Calamity Contingency Fund towards drought relief (Rs 106 crore) and Tsunami relief (Rs 100 crore) and more receipts under Block grants (Rs 253.67 crore) for implementation of State Plan Schemes.

1.5.8 The sources of revenue receipts under different heads and GSDP during 2000-05 are indicated in Table 4.

Table 4 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
2000-01	8731	117	2156	--	21126	32130	69770
2001-02	9056	55	2792	--	18940	30843	72349
2002-03	10634	81	3966	22	25528	40231	80844
2003-04	11815	73	6992	--	26147	45027	90172
2004-05	13500	95	6596	92	33681	53964	100327

1.6 Application of resources

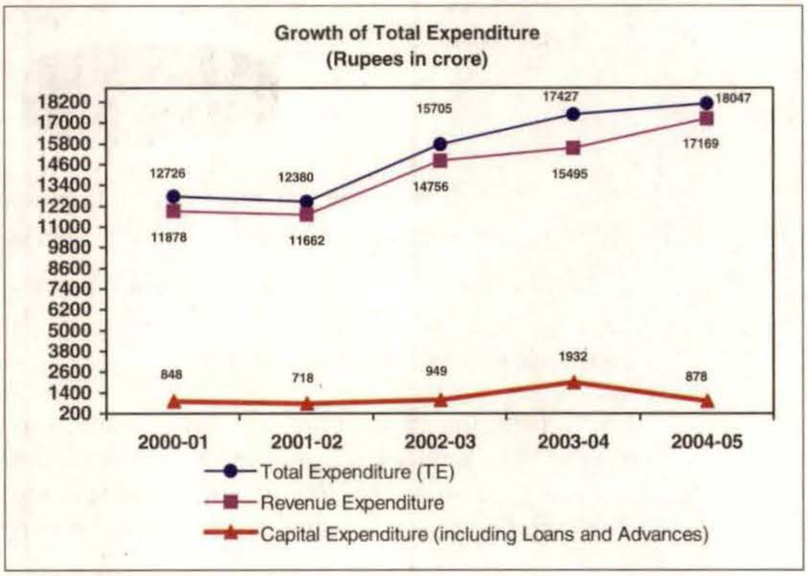
Trend of Growth

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure[@] (TE)	12726	12380	15705	17427	18047
Rate of Growth	1.6	(-) 2.7	26.9	11.0	3.6
TE/GSDP	18.2	17.1	19.4	19.3	18.0
Revenue Receipts/TE	68.6	73.2	67.7	67.8	74.8
Buoyancy of Total Expenditure with					
GSDP	0.1	(-) 0.7	2.3	1.0	0.3
Revenue Receipts	0.2	(-) 0.7	1.5	1.0	0.3

1.6.2 Though the total expenditure during the year increased to Rs 18047 crore, the actual growth rate declined during the year to 3.6 *per cent* from 11 *per cent* in the previous year. There were, however, significant inter-year variations in the growth rates. The ratio of revenue receipts to total expenditure increased from 68.6 *per cent* in 2000-01 to 74.8 *per cent* in 2004-05, indicating that approximately 75 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed from borrowings.



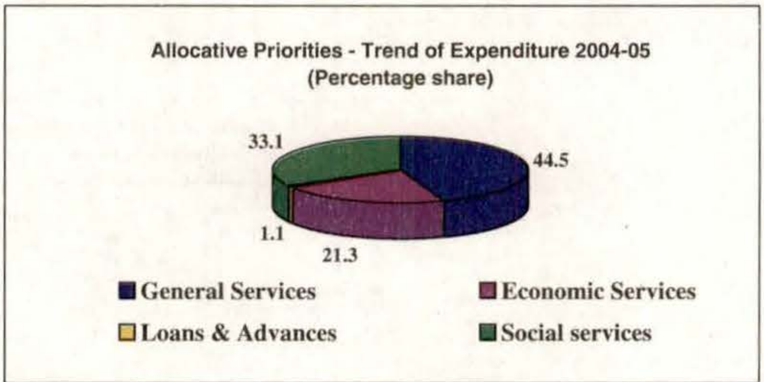
1.6.3 In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services	43.2	45.6	42.8	42.7	44.5
Social Services	33.4	33.4	32.6	29.2	33.1
Economic Services	20.9	19.2	22.6	20.3	21.3
Grants-in-aid	0.4	0.5	0.4	0.4	--
Loans and advances	2.1	1.3	1.6	7.4	1.1

1.6.4 The movement of the relative share of these components indicated that the share of social services in the total expenditure declined marginally from 33.4 in 2000-01 to 33.1 *per cent* in 2004-05 and the share of economic services increased from 20.9 to 21.3 *per cent* during the same period. The share of general services which included interest payments considered as non-developmental accounted for 44.5 *per cent* of total expenditure in 2004-05 as compared to 42.7 *per cent* in 2003-04.



Incidence of Revenue expenditure

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure (RE)	11878	11662	14756	15495	17169
Rate of Growth	2.7	(-)1.8	26.5	5.0	10.8
RE/GSDP	17.0	16.1	18.3	17.2	17.1
RE as *per cent* of TE	93.3	94.2	94.0	88.9	95.1
RE as *per cent* of RR	136.0	128.8	138.8	131.2	127.2
Buoyancy of Revenue Expenditure with					
GSDP	0.2	(-) 0.5	2.3	0.4	1.0
Revenue Receipts	0.3	(-) 0.5	1.5	0.5	0.8

1.6.6 The revenue expenditure during the year increased to Rs 17169 crore from Rs 15495 crore in the previous year, the actual growth rate being 10.8 *per cent* compared to 5 *per cent* in the previous year. The increase in revenue expenditure during the year compared to previous year was due mainly to increase in expenditure on Other Rural Development Programmes (Rs 513.86 crore), Interest Payments (Rs 284.24 crore), Relief on account of Natural Calamities (Rs 209.89 crore), Urban Development (Rs 198.82 crore), Pension and Other Retirement Benefits (Rs 191.94 crore), General Education (Rs 144.29 crore) and Roads and Bridges (Rs 105.34 crore), etc.

1.6.7 The rate of growth of revenue expenditure which was negative in 2001-02 increased to 26.5 *per cent* in 2002-03. Though it declined in 2003-04, it again increased to 10.8 *per cent* in 2004-05.

1.6.8 Revenue Expenditure accounted for 95.1 *per cent* of total expenditure during 2004-05. The ratio of revenue expenditure to revenue receipts decreased from 138.8 *per cent* in 2002-03 to 127.2 *per cent* in 2004-05 indicating continued dependence of the State on borrowings for meeting its current expenditure.

Committed Expenditure

1.6.9 The committed expenditure on Pension, Interest and Salaries constituted 86 to 99 *per cent* of the revenue receipts during 2000-05 indicating the paucity of resources available for socio-economic developmental activities.

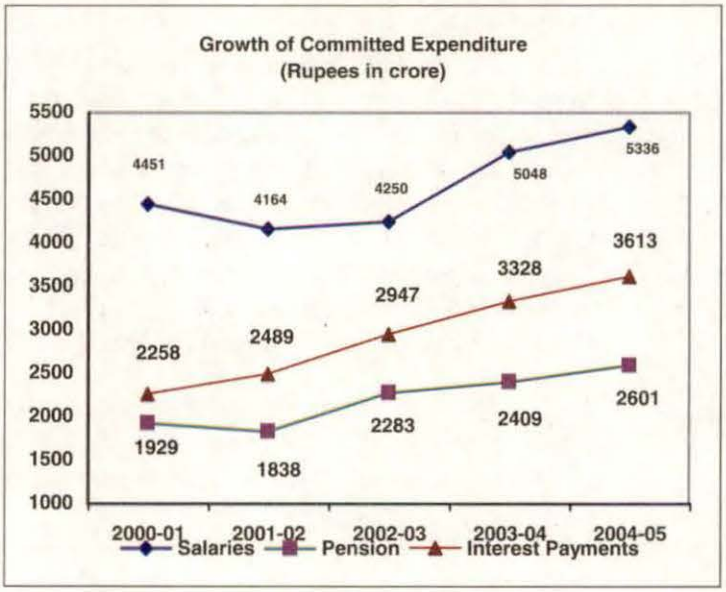
- ***Huge salary expenditure***

1.6.10 Salary expenditure during the year increased by 6 *per cent* over the level of 2003-04 and accounted for 40 *per cent* of the revenue of the State during 2004-05 compared to 43 *per cent* in the previous year. Expenditure on salaries had increased by 20 *per cent* from Rs 4451 crore in 2000-01 to Rs 5336 crore in 2004-05. Year-wise break up of expenditure during 2000-05 was as under:-

Table 8: Salary expenditure

Year	Salary expenditure[5] (Rupees in crore)	Percentage of salary expenditure with reference to		
		Revenue Receipts	Revenue Expenditure	GSDP
2000-01	4451	51.0	37.5	6.4
2001-02	4164	46.0	35.7	5.8
2002-03	4250	40.0	28.8	5.3
2003-04	5048	42.7	32.6	5.6
2004-05	5336	39.5	31.1	5.3

[5] Figures for 2000-01 and 2001-02 are adopted from 'Budget in brief' of the State Government and figures for 2002-03 to 2004-05 are furnished by the Accountant General (A&E)



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

1.6.11 Pension payments increased by 34.8 *per cent* from Rs 1929 crore in 2000-01 to Rs 2601 crore in 2004-05. Year-wise breakup of expenditure during 2000-05 was as under:-

Table 9: Pension payments

Year	Pension payments (Rupees in crore)	Percentage of pension payments with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	1929	22.1	16.2
2001-02	1838	20.3	15.8
2002-03	2283	21.5	15.5
2003-04	2409	20.4	15.6
2004-05	2601	19.3	15.1

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

♦ ***Interest payments***

1.6.13 In absolute terms, interest payments increased by 60 *per cent* from Rs 2258 crore in 2000-01 to Rs 3613 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit.

Table 10: Interest payments

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	2258	25.9	19.0
2001-02	2489	27.5	21.3
2002-03	2947	27.7	20.0
2003-04	3328	28.2	21.5
2004-05	3613	26.8	21.0

1.6.14 It was observed that interest payments constituted 27 *per cent* of revenue receipts during 2004-05 against 18 *per cent* as recommended by the Eleventh Finance Commission.

Subsidy

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

1.6.16 The explicit subsidies, compiled from the accounts for the year 2000-01 to 2004-05 ranged from 0.7 *per cent* to 4.3 *per cent* of revenue expenditure. Major schemes on which explicit subsidies are granted were as follows:

Table 11: Subsidy

Schemes/departments to which subsidy was released	Amount of subsidy (Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Maithri Housing Scheme	22.50	18.84	47.84	40.00	57.70
Kerala State Civil Supplies Corporation for Market Intervention	37.00	33.00	50.00	30.00	30.00
State Investment Subsidy	17.06	21.30	22.98	23.69	18.82
Kerala State Electricity Board (to liquidate the revenue deficit)	--	--	200.00	556.46	--
Free supply of electricity to small and marginal paddy growers	--	--	--	7.97	17.95
Special Rebate to Hanveev and Hantex on sale of accumulated stock	--	--	--	--	2.88
Kerala Khadi and Village Industries Board towards interest subsidy and rebate on sale of khadi	--	--	--	--	4.79
Rebate on sale of handloom cloth	--	--	--	1.50	1.50
Macro management in Agriculture	9.90	24.14	22.39	3.44	4.74
Total	**86.46**	**97.28**	**343.21**	**663.06**	**138.38**
Percentage of subsidy with reference to Revenue Expenditure	0.7	0.8	2.3	4.3	0.8

1.7 Expenditure by Allocative Priorities

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	20.3	18.9	24.2	18.6	21.1
Capital Expenditure	4.6	4.6	4.5	4.0	3.8
Development Expenditure	55.4	53.3	56.2	53.4	55.0

*Total expenditure does not include Loans and Advances

1.7.2 The capital expenditure showed a steady decline from 4.6 *per cent* in 2000-01 to 3.8 *per cent* in 2004-05. Plan expenditure despite its low values in 2000-01 and 2001-02 increased to 24.2 *per cent* in 2002-03; but further declined in the subsequent years and stood at 21.1 *per cent* in 2004-05. In the case of developmental expenditure, its ratio to total expenditure also declined marginally from 55.4 *per cent* in 2000-01 to 55 *per cent* in 2004-05. This would mean that only 55 *per cent* of total expenditure got allocated to development over the years. Out of the developmental expenditure (Rs 9826 crore) during the year, Social Services (Rs 5969 crore) accounted for 61 *per cent* and Economic Services (Rs 3857 crore) accounted for 39 *per cent.*

1.7.3 Expenditure on General and Technical Education, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development constituted 80.1 *per cent* of the expenditure on Social Services, as compared to 84.4 *per cent* in the previous year.

Table 13: Social Sector Expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
General and Technical Education	2584	2443	2926	3031	3205
Health and Family Welfare	691	756	806	855	921
Water Supply, Sanitation, Housing and Urban Development	327	291	484	401	656
Total	**3602**	**3490**	**4216**	**4287**	**4782**
As a percentage of expenditure on Social Sector	84.8	84.4	82.3	84.4	80.1

1.7.4 Similarly, the expenditure on Economic Services (Rs 3857 crore) accounted for 39 *per cent* of the development expenditure. Of this, Rural Development, Energy and Transport accounted for 56.2 *per cent,* as compared to 58 *per cent* in the previous year.

Table 14: Economic Sector Expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Rural Development	804	686	1079	761	1290
Energy	2	12	245	578	62
Transport	462	484	769	717	816
Total	**1268**	**1182**	**2093**	**2056**	**2168**
As a percentage of expenditure on Economic Sector	47.7	49.6	58.8	58.0	56.2

Financial assistance to Autonomous bodies and others

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

1.7.6 The quantum of assistance (grant as well as loan) provided to different bodies during the period of five years ending 2004-05 was as follows:

Table 15: Financial assistance to Autonomous bodies and others

(Rupees in crore)

Sl. No.	Bodies/authorities, etc.	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Educational Institutions (Aided Schools, Aided Colleges, Universities, etc)	1619.77	1540.40	1851.08	1929.60	2071.80
2.	Municipal Corporations and Municipalities	146.82	131.57	239.46	230.91	286.96
3.	Panchayati Raj Institutions	948.74	858.41	1288.76	1554.39	1496.21
4.	Development Agencies	43.96	13.07	33.49	28.67	25.01
5.	Hospitals and other Charitable Institutions	19.17	17.17	19.84	23.60	28.04
6.	Other Institutions (including statutory bodies)	483.09	360.37	779.95	1686.32**	798.07
	Total	**3261.55**	**2920.99**	**4212.58**	**5453.49**	**4706.09**
	Assistance as a percentage of revenue receipts	37	32	40	46	35
	Percentage of assistance to revenue expenditure	27	25	29	35	27

Delay in furnishing utilisation certificates

1.7.7 The financial rules of the Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the Departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlements) within one year from the date of sanction of assistance unless specified otherwise. As of June 2005, 65 utilisation certificates for Rs 75.08 crore paid as grants during the period 2000-01 to 2004-05 had not been received in the Office of the Accountant General (Accounts and Entitlements).

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

Delay in submission of accounts by Autonomous Bodies

1.7.8 As on 31 March 2005, there were 55 Autonomous bodies (excluding Local Self Government Institutions) which were substantially financed by grants/loans from Government. In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The details of 24 institutions which had not furnished annual accounts for the year 2004-05 as of August 2005 are indicated in **Appendix VI.**

1.7.9 The status of submission of accounts as of August 2005 by autonomous bodies/authorities, audit of accounts of which had been entrusted to the Comptroller and Auditor General of India is indicated in **Appendix VII.**

Misappropriations, defalcations, etc.

1.7.10 State Government reported 160 cases of misappropriations, defalcations, etc., of Government money amounting to Rs 7.18 crore relating to the period 1963-64 to 2004-05. Final action was pending on all cases at the end of June 2005. The Department-wise break-up of pending cases is given in **Appendix VIII.**

Writes off of losses, etc.

1.7.11 According to data received from the Departments to Audit as of August 2005, sanctions for writes off of Rs 68.58 lakh in 384 cases and waivers amounting to Rs 12.75 lakh in 41 cases were issued by various authorities during 2004-05. The Department-wise details are given in **Appendix IX.**

1.8 Assets and Liabilities

1.8.1 The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings, etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of the Finance Accounts shows the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Appendix I** presents an abstract of such liabilities and the assets as on 31 March 2005 compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, small Savings, Provident Funds, Deposits, Reserve Funds, etc., the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of the Government of Kerala depicted in the Finance Accounts, however, do not include liabilities like the pension liabilities payable to serving and retired State employees. **Appendix IV** depicts the Time Series Data on the State Government Finances for the period 2000-05.

Financial results of irrigation works

1.8.2 Statement 3 of the Finance Accounts gives the financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc. In the case of eight irrigation projects, which have been declared commercial, with a cumulative capital outlay of Rs 121.44 crore at the end of 31 March 2005, the revenue realised from them during 2004-05 was Rs 1.38 crore which was 1.1 *per cent* of total outlay. After considering the working and maintenance expenses of Rs 21.63 crore and interest charges of Rs 9.25 crore, these schemes suffered a net loss of Rs 29.50 crore.

Incomplete projects

1.8.3 As per information made available by the Irrigation Department five* projects commenced between 1970 and 1983 remained incomplete even after incurring Rs 927.80 crore as of March 2005. Besides, 93 other capital works on which Rs 322.25** crore were spent up to March 2005 also remained incomplete in Public Works, Harbour Engineering and Water Resources Departments. The amount blocked in these projects was 12 *per cent* of the cumulative capital outlay of the State.

Investments and returns

1.8.4 Statement 14 of the Finance Accounts shows the details of investment of the State Government in Statutory Corporations, Government Companies, other joint stock companies, co-operative banks and societies, etc. As on 31 March 2005, the Government had invested Rs 2191.16 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was less than one *per cent* except in 2004-05 as indicated in Table 16 below:

Table 16: Return on Investment

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of Return	Average rate of interest on Government borrowing (In *per cent*)
2000-01	1883.09	12.64	0.7	11.4
2001-02	1945.92	5.26	0.3	9.0
2002-03	2059.23	9.61	0.5	7.2
2003-04	2123.57	20.03	0.9	6.1
2004-05	2191.16	29.11	1.3	6.5

1.8.5 Apart from the above, as of March 2005 the Government had provided equity participation of Rs 136.10 crore (2000-01: Rs 25 crore, 2001-02: Rs 30 crore, 2002-03: Rs 40 crore and 2003-04: Rs 41.10 crore) to the Kerala

* Karapuzha, Idamalayar, Muvattupuzha, Banasura Sagar, Regulator-cum-Bridge at Chamravattom.
** As per information made available by Departments

Infrastructure Investment Fund Board, a statutory body created under the Kerala Infrastructure Investment Fund Act, 1999, though the relevant Act did not envisage equity participation by the Government. The matter is under correspondence with the Government (September 2005).

1.8.6 Three Statutory Corporations and 59 Government Companies with an aggregate Government investment of Rs 1230.90 crore up to 2004-05 were incurring losses and their accumulated loss amounted to Rs 3260.30 crore as per the latest accounts furnished by these companies (**Appendix X**). Of these, six Government Companies with an investment of Rs 13.42 crore upto 31 March 2005 were under liquidation and one Government Company with an investment of Rs 1.35 crore was under lockout from June 1993.

Loans and advances by State Government

1.8.7 In addition to its investment, the Government has also been providing loans and advances to many of these bodies. Statement 5 read with details in Statement 18 of the Finance Accounts shows the loans and advances given by the State Government, repayments made and the balance at the close of the financial year. Total outstanding balance of the loans advanced was Rs 5143 crore as on 31 March 2005 (Table 17). Interest received against these advances was less than one *per cent* during 2004-05 though the Government had been borrowing funds during the year from the market at an average rate of 6.5 *per cent.* Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for their repayment.

Table 17: Average interest received on loans advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	3391	3545	3650	3823	5042
Amount advanced during the year	271	160	250	1292	196
Amount repaid during the year	117	55	77	73	95
Closing Balance	3545	3650	3823	5042	5143
Interest received	20	16	24	23	30
Interest received as *per cent* to outstanding loans and advances	0.6	0.4	0.6	0.5	0.6
Average rate of interest on Government borrowing	11.4	9.0	7.2	6.1	6.5
Difference between borrowing rate of interest and returns received	(-) 10.8	(-) 8.6	(-) 6.6	(-) 5.6	(-) 5.9

Commercial activities

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

Activities of quasi-commercial nature are performed by the Departmental undertakings of certain Government departments. These undertakings are expected to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government should ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to the

Accountant General for audit. The Department-wise position of arrears in preparation of such accounts as of June 2005 in respect of these undertakings is indicated in **Appendix XI**.

Management of cash balances

1.8.9 It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from the Reserve Bank of India has been put in place. Special WMA not exceeding Rs 38.40 crore are given to Kerala against marketable securities issued by Government of India. After this Ordinary WMA up to a maximum of Rs 315 crore are also allowed. As per the overdraft regulation scheme, no State shall be allowed to run on overdraft for more than fourteen consecutive working days in a calendar year or more than 36 working days in a calendar quarter. The overdraft shall not exceed 100 *per cent* of the Ordinary Ways and Means limit. If the overdraft exceeds this limit continuously for five working days for the first time in a financial year, the Bank will advise the State to bring down the overdraft level. If such irregularity persists on a second or subsequent occasion, payment will be stopped. Statement 7 of the Finance Accounts gives the summary of cash balances.

1.8.10 During the year, the State had used ways and means facilities for 193 days as against 156 days during the previous year although it raised borrowings of Rs 1672 crore from the market on six occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the overdraft facilities for 161 days during the year as against 177 days during the previous year.

Table 18: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Ways and Means Advances[#]					
Taken during the year	1978.25	1797.42	2463.36	3346.77	4485.31
Balance outstanding at the end of the year	228.28	228.54	283.97	284.70	235.25
Interest paid	9.49	14.53	13.23	15.58	13.20
Number of days State availed WMA	150	137	163	156	193
Overdraft					
Taken during the year	3506.13	4041.25	5337.51	4750.53	4842.94
Balance outstanding at the end of the year	357.09	275.56	164.85	280.64	Nil
Interest paid	3.48	8.61	7.54	8.32	8.00
Number of days State was in overdraft	213	222	196	177	161

[#] Includes shortfall also

1.9 Undischarged Liabilities

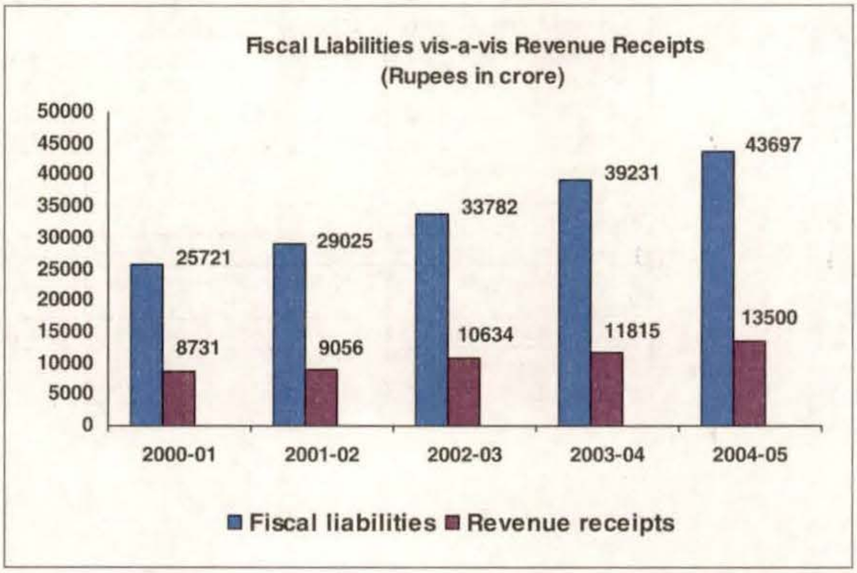
Fiscal liabilities – public debt and guarantees

1.9.1 The Constitution of India provides that the State may borrow within the territory of India upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of Legislature. A State may not raise any loan without the consent of Government of India if there is any outstanding loan for which a guarantee has been issued by GOI. Statement 4 read with Statements 16 and 17 of the Finance Accounts shows the year-end balances under Debt, Deposit and Remittance heads from which the liabilities are worked out.

1.9.2 Table 19 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

Table 19: Fiscal Liabilities- Basic Parameters
(Values Rupees in crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities[$]	25721	29025	33782	39231	43697
Rate of Growth	18.7	12.8	16.4	16.1	11.4
Ratio of Fiscal Liabilities to					
GSDP	36.9	40.1	41.8	43.5	43.6
Revenue Receipt	294.6	320.5	317.7	332.0	323.7
Own Resources	394.0	448.8	423.3	441.0	446.7
Buoyancy of Fiscal Liabilities with					
GSDP	1.6	3.5	1.4	1.4	1.0
Revenue Receipt	1.9	3.5	0.9	1.5	0.8
Own Resources	1.3	(-)14.2	0.7	1.4	1.1



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

1.9.3 The fiscal liabilities of the State increased from Rs 25721 crore in 2000-01 to Rs 43697 crore in 2004-05, an increase of 70 *per cent* during the five year period. These liabilities as ratio to GSDP increased from 36.9 *per cent* in 2000-01 to 43.6 *per cent* in 2004-05 and stood at 3.2 times of its revenue receipts and 4.5 times of its own resources comprising its own tax and non-tax revenue. The fiscal liabilities of the State had grown much faster as compared to its rate of growth of GSDP. These fiscal liabilities, however, do not include the pension liabilities payable to retired State employees, off budget liabilities, risk weighted guarantees/contingent liabilities, power subsidies payable to KSEB, etc.

1.9.4 Increasing liabilities had raised the issue of sustainability of the finances of the State Government. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table 20.

Table 20: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted Interest Rate	9.5	9.1	9.4	9.1	8.7
GSDP Growth	11.6	3.7	11.7	11.5	11.3
Interest spread	2.1	(-) 5.4	2.3	2.4	2.6

1.9.5 Another important indicator of debt sustainability is the net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 21 below gives the position of the receipts and repayments of public debt over the last five years.

Table 21: Net availability of Borrowed Funds

(*Rupees in crore*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt[@]					
Receipt	1491	2011	2717	6023	5114
Repayment (Principal + Interest)	874	1133	1377	1944	2331
Net funds available	617	878	1340	4079	2783
Net funds available (*per cent*)	41	44	49	68	54
Loans and Advances from Government of India					
Receipt	483	781	1193	968	1482
Repayment (Principal + Interest)	1016	1315	1809	2685	2371
Net funds available	(-) 533	(-) 534	(-) 616	(-)1717	(-) 889
Net funds available (*per cent*)	(-) 110	(-) 68	(-) 52	(-) 177	(-) 60
Total Public Debt[@]					
Receipts	1974	2792	3910	6991	6596
Repayment (Principal + Interest)	1890	2448	3186	4629	4702
Net funds available	84	344	724	2362	1894
Net funds available (*per cent*)	4	12	19	34	29

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

1.9.6 The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments during 2004-05 had reduced to 29 *per cent* from 34 *per cent* in the previous year. Under loans and advances from Government of India the net funds available continued to be negative due to more repayments with a view to reducing the high cost debt of previous years under 'Debt Swap Scheme'.

1.9.7 The State Government raised market loans of Rs 1671.90 crore during the year. Of this, Rs 355.66 crore was raised at an interest of 7.25 *per cent* through auction sale and Rs 1316.24 crore through tap issue at an average rate of 6.4 *per cent.*

1.9.8 Under the 'Debt Swap Scheme' introduced by Government of India to enable the States to prepay high cost debt, the State Government raised loans of Rs 467.54 crore from open market at varying interest rates of 5.7 and 6.35 *per cent* during 2004-05. High cost loan of Rs 978.81 crore (Small Savings loans: Rs 137.19 crore; Block loans: Rs 841.62 crore) was repaid to Government of India using Rs 467.54 crore raised through open market borrowing and Rs 511.27 crore by adjustment from the Special Securities issued to National Small Savings Fund of Central Government by the Government of Kerala during the year.

Guarantees

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

1.9.10 Statement 6 of the Finance Accounts gives the summary of guarantees provided by the State Government for repayment of loans, etc., raised by Statutory Corporations, Government Companies, local bodies and other institutions based on statement of guarantees made available by the Finance Department of the Government. The year-wise position of maximum amount guaranteed and the amount of guarantees outstanding as at the end of March of each year from 2001 to 2005 were as under:-

Table 22: Guarantees provided by the Government

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees as on March		
		Principal	Interest	Total
2000-01	12797.80	8420.61	1132.56	9553.17
2001-02	14122.46	9745.86	2071.67	11817.53
2002-03	14922.61	10077.97	2545.41	12623.38
2003-04	15612.67	11511.08	2498.11	14009.19
2004-05	14783.36	10775.38	1540.58	12315.96

1.9.11 The amount of outstanding guarantees increased from Rs 9553.17 crore in 2000-01 to Rs 12315.96 crore in 2004-05 a growth of 28.9 *per cent* during the period. The arrears of guarantee fee receivable from 28 institutions as on March 2005 were Rs 50.82 crore.

Unreckoned liabilities

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

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

Government agreed (August 1995) to give financial assistance to the KSEB, to avail loan from the Power Finance Corporation Limited, in case the KSEB could not achieve a minimum rate of return of three *per cent* in the year. Based on this, the KSEB had been exhibiting every year the subsidy receivable from Government in their annual accounts from 1995-96. The latest annual accounts of the Board for the year 2004-05 (provisional) showed revenue subsidy of Rs 4325.14 crore (4.3 *per cent* of GSDP) as receivable up to the end of the year from the State Government. Government had not paid any subsidy to the KSEB to cover the revenue gap of the Board for the year 2004-05.

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

According to information made available by Departmental Officers, the arrears in payment of contractor's bills as of March 2005 in Public Works, Water Resources and Harbour Engineering, etc., Departments amounted to Rs 897.95 crore (0.9 *per cent* of GSDP).

1.10 Management of deficits

Fiscal imbalances

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

1.10.2 The revenue deficit (Statement I of the Finance Accounts) of the State, indicates the excess of its revenue expenditure over revenue receipts. The revenue deficit showed a declining trend during 2003-04 and 2004-05 after a peak of Rs 4122 crore in 2002-03. However, the fiscal deficit decreased to Rs 4452 crore in 2004-05 compared to Rs 5539 crore in 2003-04.

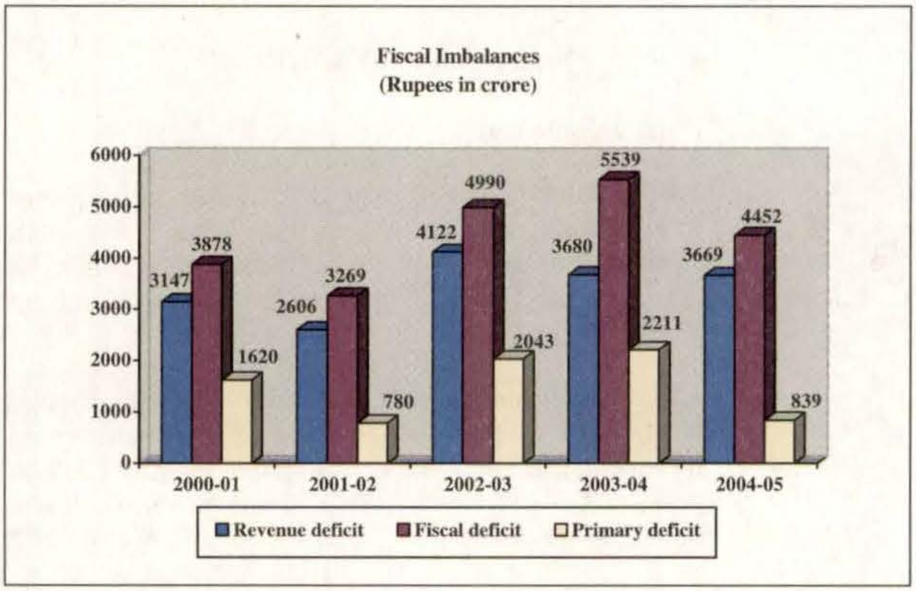
1.10.3 Section 4 of the 'The Kerala Fiscal Responsibility Act, 2003' which came into effect on 5 December 2003 prescribes that the Government shall reduce the revenue deficit to 'nil' and fiscal deficit to 2 *per cent* of the estimated GSDP within a period of four years commencing from 1 April 2003 and ending on 31 March 2007. With the current level of revenue deficit of Rs 3669 crore and the fiscal deficit hovering around 4.4 *per cent* of GSDP during the current year, the Government should strive to reduce the revenue deficit and fiscal deficit by additional resource mobilisation and compression of revenue expenditure.

1.10.4 Table 23 below indicates the basic parameters of fiscal imbalance.

Table 23: Fiscal Imbalances- Basic Parameters
(Values Rupees in crore and Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Deficit (RD)	3147	2606	4122	3680	3669
Fiscal Deficit (FD)	3878	3269	4990	5539	4452
Primary Deficit (PD)	1620	780	2043	2211	839
RD/GSDP	4.5	3.6	5.1	4.1	3.7
FD/GSDP	5.6	4.5	6.2	6.1	4.4
PD/GSDP	2.3	1.1	2.5	2.5	0.8
RD/FD	81.2	79.7	82.6	66.4	82.4

1.10.5 Persistent large revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and the Government had to borrow funds to meet its current obligations. The ratio of revenue deficit and fiscal deficit had increased from 66.4 *per cent* in 2003-04 to 82.4 *per cent* in 2004-05. High ratio of revenue deficit to fiscal deficit indicated that a larger part of borrowings were not being used for asset creation. As proportion to the GSDP, revenue deficit had come down to 3.7 *per cent* and fiscal deficit to 4.4 *per cent* in 2004-05 from 4.1 and 6.1 *per cent* respectively in 2003-04.



Recommendations of Eleventh Finance Commission

Medium Term Fiscal Reforms Programme

1.10.6 Based on the recommendations of the Eleventh Finance Commission to motivate the States to undertake Medium Term Fiscal Reforms Programme (MTFRP), the GOI set up an Incentive Fund to provide assistance to each State for fiscal performance based on a single monitorable fiscal objective.

Release from the Incentive Fund was to be based on achieving a minimum improvement of five percentage points in the revenue deficit as a proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

1.10.7 The State Government exchanged with the GOI on 4 February 2002 a document of shared fiscal goals and objectives for the years 2000-01 to 2004-05 on the Kerala MTFRP. GOI released Rs 64.44 crore during 2001-03 from the Incentive Fund for adhering to the projections made in the document for the years 2000-01 and 2001-02. In addition, the GOI released Rs 4.61 crore during 2003-04 from the Incentive Fund towards financing the cost of Voluntary Retirement Scheme of five Public Sector Undertakings. Further, according to the agreement, the revenue deficit as a proportion of revenue receipts should achieve a minimum improvement of five percentage points each year from 1999-2000 (base year). Accordingly, as a percentage of revenue receipts, the revenue deficit of 45.60 *per cent* projected during 1999-2000 should have been restricted to 18.04 *per cent,* 9.61 *per cent* and 3.19 *per cent* during 2002-03, 2003-04 and 2004-05 respectively. However, it remained[@] much above the limit specified in the agreement. Hence, the State Government lost Rs 139.43 crore from the Incentive Fund in view of the non-adherence to the projections.

1.11 Fiscal Ratios

1.11.1 The finances of a State should be sustainable, flexible and non-vulnerable. Table 24 below presents a summarised position of the Government Finances during 2000-05, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

1.11.2 The ratio of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and State's increasing access to resources with increase in GSDP. Both the ratios i.e. revenue buoyancy and revenue receipts to GSDP increased in 2004-05 whereas the ratio of State's own taxes to GSDP declined marginally over the figures of 2003-04. This showed that generation of tax revenue was not commensurate with increase in domestic income.

1.11.3 Various ratios concerning expenditure management indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation. The ratio of capital expenditure and development expenditure to total expenditure declined in 2004-05 as compared to 2002-03. The ratio of revenue expenditure to total expenditure increased in 2004-05 as compared to 2003-04 which is indicative that most of the expenditure out of total expenditure was incurred on revenue expenditure. About 75 *per cent* of the total expenditure was met out of revenue receipts during 2004-05. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its development activities.

[@] 38.8 *per cent* (2002-03), 31.2 *per cent* (2003-04) and 27.2 *per cent* (2004-05)

1.11.4 Increasing revenue and fiscal deficits indicate growing fiscal imbalances of the State. Similarly the ratio of revenue deficit to fiscal deficit indicates that the application of borrowed funds had largely been to meet current consumption. Though the revenue deficit in absolute terms could be reduced in 2003-04 and 2004-05 and the fiscal deficit in 2004-05 from the level of 2002-03, the ratio of revenue deficit to fiscal deficit increased in 2004-05 to 82.4 *per cent* from 66.4 *per cent* in the previous year.

Table 24: Ratios of Fiscal Efficiency (in *per cent*)

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05
Resource Mobilisation					
Revenue Receipts/GSDP	12.5	12.5	13.2	13.1	13.5
Revenue Buoyancy	0.9	1.0	1.5	1.0	1.3
Own tax/GSDP	8.4	8.2	9.0	9.0	8.9
Own taxes Buoyancy	1.1	0.2	2.0	0.9	0.9
Expenditure Management					
Total Expenditure (TE)/GSDP	18.2	17.1	19.4	19.3	18.0
Revenue Receipts (RR)/ TE	68.6	73.2	67.7	67.8	74.8
Revenue Expenditure (RE)/TE	93.3	94.2	94.0	88.9	95.1
Plan Expenditure/TE	20.3	18.9	24.2	18.6	21.1
Capital Expenditure/TE	4.6	4.6	4.5	4.0	3.8
Development Expenditure/TE	55.4	53.3	56.2	53.4	55.0
Buoyancy of TE with RR	0.2	(-) 0.7	1.5	1.0	0.3
Buoyancy of RE with RR	0.3	(-) 0.5	1.5	0.5	0.8
Management of Fiscal Imbalances					
Revenue Deficit (Rs in crore)	3147	2606	4122	3680	3669
Fiscal Deficit (Rs in crore)	3878	3269	4990	5539	4452
Primary Deficit (Rs in crore)	1620	780	2043	2211	839
Revenue Deficit/Fiscal Deficit	81.2	79.7	82.6	66.4	82.4
Management of Fiscal Liabilities					
Fiscal Liabilities (FL)/GSDP	36.9	40.1	41.8	43.5	43.6
Fiscal Liabilities/RR	294.6	320.5	317.7	332.0	323.7
Buoyancy of FL with RR	1.9	3.5	0.9	1.5	0.8
Buoyancy of FL with Own Resources	1.3	(-) 14.2	0.7	1.4	1.1
Interest spread	2.1	(-) 5.4	2.3	2.4	2.6
Net Funds Available	4	12	19	34	29
Other Fiscal Health Indicators					
Return on Investment	0.7	0.3	0.5	0.9	1.3
Balance from Current Revenue (BCR) (Rs in crore)	(-) 1704	(-) 1660	(-) 1811	(-)1983	(-) 1496
Financial Assets/Liabilities	0.5	0.4	0.4	0.4	0.4

1.12 Conclusion

1.12.1 Large revenue and fiscal deficits year after year show continued macro fiscal imbalances. Though it is not uncommon for the State to borrow for widening its infrastructure and for creating income-generating assets, an ever increasing ratio of fiscal liabilities to GSDP with a large revenue deficit could lead the State finances in a debt trap. There has also been decline in net availability of funds for infrastructural development from its borrowings as a larger portion of these funds were being used for debt servicing and on establishment expenditure. The State's continuous declining low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. Investments in loss making companies are not sustainable. The balance of current revenue of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.

1.12.2 State Government should strive in the years to come to reduce revenue deficit/fiscal deficit by compressing non-developmental revenue expenditure, additional resource mobilisation through tax reforms and prudent debt management in order to achieve the target envisaged in the Kerala Fiscal Responsibility Act, 2003, *viz.*, zero revenue deficit and fiscal deficit of 2 *per cent* of GSDP by March 2007.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATIONS

CHAPTER II
ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-05 against grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings(-)/ Excess(+)
Voted					
I Revenue	15305.56	1358.00	16663.56	13896.58	(-) 2766.98
II Capital	582.25	409.50	991.75	693.35	(-) 298.40
III Loans and Advances	139.99	87.66	227.65	196.49	(-) 31.16
Total Voted	**16027.80**	**1855.16**	**17882.96**	**14786.42***	**(-) 3096.54**
Charged					
IV Revenue	3831.40	28.09	3859.49	3668.74	(-) 190.75
V Capital	1.84	3.08	4.92	3.22	(-) 1.70
VI Public Debt	6052.54	9.72	6062.26	11886.32	(+)5824.06
Total Charged	**9885.78**	**40.89**	**9926.67**	**15558.28***	**(+)5631.61**
Appropriation to Contingency Fund	75.00		75.00	75.00$	
Grand Total	**25988.58**	**1896.05**	**27884.63**	**30419.70****	**(+)2535.07**

$ The corpus of the Contingency Fund was increased from Rs 25 crore to Rs 100 crore by the Kerala Contingency Fund (Amendment) Act, 2005.

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 395.91 crore and Capital: Rs 89.83 crore, Total: Rs 485.74 crore).

** The total expenditure was inflated at least to the extent of :

- Rs 32.78 lakh being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received
- Rs 50.50 crore being amounts drawn during the year and deposited in Treasury Savings Bank account of the drawing officers

** The total expenditure was understated to the extent of :

- Rs 1.67 crore due to non-receipt of vouchers from treasuries
- Rs 15.04 crore on account of advances drawn from Contingency Fund remaining unrecouped at the end of the year

The overall excess of Rs 2535.07 crore was the result of excess of Rs 5839.93 crore in 2 grants and 3 appropriations (5 cases) offset by savings of Rs 3304.86 crore in 43 grants and 18 appropriations (87 cases). Reasons for excess/savings in respect of 74 *per cent* of sub heads required to be mentioned in the Appropriation Accounts had not been furnished by the Controlling Officers as of July 2005.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of the savings of Rs 3304.86 crore, the major savings of Rs 2953.46 crore (89 *per cent*) occurred in 20 cases as indicated below:

(Rupees in crore)

Sl. No	Number and Name of Grant/Appropriation		Total Grant/ Appropriation	Actual expenditure	Amount of savings
	Revenue-Voted				
1	II	Heads of States, Ministers and Headquarters Staff	294.47	151.63	142.84
2	VI	Land Revenue	145.56	102.64	42.92
3	XII	Police	645.28	558.19	87.09
4	XV	Public Works	758.44	675.52	82.92
5	XVI	Pensions and Miscellaneous	3047.40	2862.78	184.62
6	XVII	Education, Sports, Art and Culture	3791.82	3314.89	476.93
7	XVIII	Medical and Public Health	930.64	784.64	146.00
8	XX	Water Supply and Sanitation	479.25	262.77	216.48
9	XXII	Urban Development	442.68	319.29	123.39
10	XXIV	Labour and Labour Welfare	217.99	173.53	44.46
11	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	733.61	600.57	133.04
12	XXIX	Agriculture	530.02	424.41	105.61
13	XXX	Food	171.37	43.50	127.87
14	XXXV	Panchayat	1670.21	1154.23	515.98
15	XXXVI	Community Development	263.06	171.44	91.62
16	XXXVIII	Irrigation	169.57	126.27	43.30
	Revenue-Charged				
17	Debt Charges		3797.70	3612.90	184.80
	Capital-Voted				
18	XXVIII	Miscellaneous Economic Services	135.05	0.04	135.01
19	XXIX	Agriculture	46.01	17.90	28.11
20	XXXVII	Industries	177.48	137.01	40.47
	Total		**18447.61**	**15494.15**	**2953.46**

The savings under 'Heads of States, Ministers and Headquarters staff' was mainly due to delay in implementation of new schemes under 'Modernisation of Government Programmes', slow progress in 'Akshaya Schemes', cut in plan expenditure on the projects by the Kerala Information Technology Mission on account of resource crunch.

The savings under 'Debt Charges' was mainly due to less requirement of funds for payment of interest on share of small savings collections due to pre-payment of high cost loans through debt swap mechanism.

The savings under 'Pension and Miscellaneous' was mainly due to deficiency in accurate estimation and difficulty in accuracy of estimation on account of nature of expenditure.

The savings under 'Water Supply and Sanitation' was mainly due to non-release of funds by the State Government considering the slow progress of work under Japan Bank for International Co-operation (JBIC) assisted water supply schemes, release of Central assistance directly by the Central Government to Kerala Water Authority and non-release of funds set apart under Centrally sponsored schemes.

The savings under 'Food' was mainly due to non-payment of subsidy in view of the stability of prices of ration materials.

The major heads of account in which huge savings occurred in these 20 cases are given in **Appendix XII**.

In 36 cases savings exceeding Rs 5 crore or more in each case and also by more than 10 *per cent* of the total provision, amounted to Rs 2818.17 crore **(Appendix XIII)**.

2.3.2 Persistent savings

In 11 cases, there were persistent savings in excess of Rs 50 lakh in each case and also 20 *per cent* or more of the provision during the last three years **(Appendix XIV)**.

2.3.3 Excess requiring regularisation

Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 3472.14 crore for the years 1983-84 to 1985-86 and 1988-89 to 2003-04 was yet to be regularised as of August 2005 **(Appendix XV)**. In addition, excess expenditure of Rs 5839.91 crore that occurred during 2004-05 which requires regularisation has been indicated below.

(Amount in Rupees)

Sl. No.	Number and Name of Grant/Appropriation	Total Grant/ Appropriation	Actual expenditure	Excess
	Revenue-Voted			
1	XIX Family Welfare	927000000	1075258936	148258936
	Capital-Voted			
2	XV Public Works	2593204000	2603435142	10231142
	Capital-Charged			
3	XXIX Agriculture	848000	872695	24695
4	Public Debt Repayment	60622619000	118863182898	58240563898
Total		**64143671000**	**122542749671**	**58399078671**

Though supplementary provision was obtained in the case of all these grants/appropriations during the year, this was inadequate to cover the excess expenditure. This indicated deficiency in budget formulation and failure to obtain adequate supplementary demands.

Of the total excess of Rs 5839.91 crore, the major excess of Rs 5824.06 crore (99.73 *per cent*) occurred under 'Public Debt Repayment' was mainly due to availing of more ways and means advances and overdrafts during the year than anticipated, adjustment of Block loans through debt swap scheme by the Government of India at the fag end of the year (Rs 561.20 crore), adjustment of ways and means advances sanctioned to the State Government during the year (Rs 150 crore).

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 1896.05 crore) made during the year constituted 7.32 *per cent* of the original provision (Rs 25913.58 crore) as against 33.30 *per cent* in the previous year.

2.3.5 Unnecessary/excessive/inadequate supplementary provisions

- Supplementary provision of Rs 336.16 crore obtained in 29 cases proved unnecessary in view of aggregate savings of Rs 1878.23 crore **(Appendix XVI)**.
- In 21 cases, against additional requirement of Rs 672.62 crore, supplementary grant of Rs 1079.40 crore was obtained resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 406.78 crore **(Appendix XVII)**.
- In 3 cases supplementary provision of Rs 188.46 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 5839.91 crore **(Appendix XVIII)**.

2.3.6 Excessive/unnecessary reappropriation of funds

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

2.3.7 Anticipated savings not surrendered

According to rules, the spending Departments are required to surrender the grants/appropriations or portion thereof, as and when the savings are anticipated, to the Finance Department. However, savings of an aggregate amount of Rs 1155.94 crore, in 19 cases savings of Rs 5 crore and above in each case, was not surrendered. Failure of these Departments to surrender such huge savings revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in **Appendix XX**.

Out of the total surrendered amount of Rs 2197.37 crore (85 cases), Rs 2066.90 crore (78 cases) was surrendered on 31 March 2005 indicating gross disregard of rules and procedures of financial control over expenditure.

2.3.8 Surrender in excess of actual savings

In 13 cases the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 381.77 crore in these cases the amount surrendered was Rs 430.85 crore, resulting in excess surrender of Rs 49.08 crore **(Appendix XXI)**.

2.4 Budgetary Procedure and Control over expenditure

A review of the budgetary procedures and control over expenditure was conducted in respect of the Grants XV – 'Public Works' and XXV – 'Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes'. Some of the important points noticed during the review are detailed below:

2.4.1 Submission of budget proposals

There was delay of over one month in sending the budget proposals for 2004-05 by the Public Works and Social Welfare Departments to the Government. The delay was attributed to non-receipt of required details from the subordinate offices.

2.4.2 Defective budgeting and lack of control over expenditure

According to the provisions in the financial rules and manuals, the estimate of expenditure prepared by the Department should be those for the expenditure as anticipated in the ensuing financial year with reference to the existing sanctions and actual requirements. The Chief Controlling Officers should keep a constant watch over the current and anticipated expenditure. It was noticed that there were significant variations between the final grant and actual expenditure in many cases indicating that the budgeting was defective and monitoring by the Controlling Officers was inadequate.

(Rupees in crore)

Sl. No.	Head of Account	Final Grant	Expenditure	Variation Excess (+)/ Savings (-)
	XV Public Works			
1	3054-80-800-98 (NP)	85.69	74.64	(-) 11.05
2	3054-80-800-97 (NP)	44.18	24.59	(-) 19.59
	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes			
3	2225-01-793-99 (P)	12.17	1.99	(-) 10.18
4	2225-01-800-57 (P)	59.24	38.47	(-) 20.77
5	2235-02-102-98 (P)	67.89	71.10	(+) 3.21
6	2235-02-198-50 (NP)	18.72	23.45	(+) 4.73

2.4.3 *Non-utilisation of appropriations*

The grants made by the Legislature had to be applied in the manner intended and to the purpose for which these are intended according to law/rules and regulations. In the following cases, the entire budgetary provision had been surrendered without incurring any expenditure mainly due to non-receipt of administrative sanctions from the Government, non-clearance of pending bills and non-sanctioning of works.

(Rupees in crore)

Sl. No.	Head of Account	Appropriation	Amount surrendered
	XV Public Works		
1	3054-05-800-99	1.57	1.57
2	5054-05-337-98	1.05	1.05
	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes		
3	2225-02-277-52	5.00	5.00
4	2235-02-102-72	2.70	2.70
5	2225-02-800-28	2.03	2.03
6	4225-02-800-93	2.50	2.50

2.4.4 *Non- surrender of savings*

All anticipated savings should be surrendered immediately when these were foreseen, without waiting till the end of the year unless these were required to meet excess under other units. Savings available under the following heads of account remained unsurrendered at the close of the year.

(Rupees in crore)

Sl.No.	Head of Account	Final Grant	Savings
	XV Public Works		
1	2059-80-001-99 (NP)	3.43	0.81
2	2059-80-799-99(NP) Stock	10.10	10.10
3	2059-80-799-97 (NP)	0.43	0.42

2.4.5 *Pending work bills of contractors*

In the Public Works Department, substantial portion of the budget was utilised for clearance of arrears of contractors' bills for work done in previous years. Necessary provision for clearing the pending liabilities for payment for the works done, was not being included in the annual budget.

In the Divisions under Chief Engineer, Roads and Bridges, Rs 267.43 crore were paid during 2004-05 for clearing pending bills for the period 1 April 2002 to 31 March 2003. Pending bills amounting to Rs 531.11 crore remained to be paid as of 31 March 2005.

In the Divisions under the Chief Engineer, Buildings and Local Works, bills amounting to Rs 145.94 crore were pending as of 31 March 2005.

2.5 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the Departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many Departments. Out of 157 Controlling Officers, who were required to reconcile their accounts for the year 2004-05, only 15 had reconciled the expenditure for the whole year and 142 have partially reconciled the expenditure for the year. As of August 2005, 2805 monthly reconciliation certificates were due for the period 1997-98 to 2004-05, as detailed in **Appendix XXII**.

2.6 Rush of expenditure

Under 20 Major Heads of accounts, the expenditure incurred during the last quarter of the financial year ranged between 50 *per cent* and 100 *per cent*. In these cases, 33 to 100 *per cent* of the expenditure was incurred only in the last month of the financial year which is indicative of deficient financial management. Details are given in **Appendix XXIII**.

2.7 Recovery of interest at the instance of audit

The District Co-Operative Bank, Kottayam had deposited Rs 35 crore in the District Treasury, Kottayam at special interest rate fixed at 15 *per cent* per annum during the resource mobilisation drive in 1999-2000. The rate of interest was reduced to 14 *per cent* from April 2000 to March 2001, 13 *per cent* from April 2001 to December 2001 and 11.5 *per cent* from January 2002. A scrutiny of the records (July 2004) in the District Treasury, Kottayam by the Accountant General (Accounts & Entitlement) revealed that interest was allowed at the rate of 15 *per cent* from April 2001 to December 2001 and 11.5 *per cent* thereafter. The interest paid in excess for the year 2001-02 was Rs 1.01 crore and interest allowed on this amount for subsequent period upto March 2005 was Rs 31 lakh, thus making an excess payment of Rs 1.32 crore. After the excess payment was pointed out by the Accountant General (A&E), the District Treasury Officer, Kottayam recovered Rs 1.11 crore in March 2005 and Rs 21 lakh in May 2005.

CHAPTER III

PERFORMANCE REVIEWS

CHAPTER III
PERFORMANCE REVIEWS

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.1 Implementation of Acts and Rules relating to Consumer Protection

Highlights

- **Two additional benches of the State Commission in order to reduce the pendency of cases were not set up.**

(Paragraph 3.1.9)

- **Out of Rs 3.93 crore sanctioned during 1995-99 to improve the infrastructure of Consumer Disputes Redressal Agencies only Rs 2.16 crore (55 *per cent*) could be utilised even after 7 years. Internet connectivity had not been provided to the CDRC despite directions of the National Commission in February 2002.**

(Paragraphs 3.1.16 and 3.1.18)

- **Consumer Disputes Redressal Commission/Forums in the State suffered owing to vacancies of President/Members, inadequate staff. It was also observed that during 2000 to 2004 the disposal of cases in the CDRC and CDRFs ranged from 9 to 42 *per cent* and 44 to 60 *per cent* respectively. Delay of more than five months was noticed in the disposal of 30 *per cent* cases in CDRC and 22 *per cent* cases in CDRFs.**

(Paragraphs 3.1.20 to 3.1.27)

- **Under Prevention of Food Adulteration Act, 1954, the collection of samples in 2004-05 was only 28 *per cent* of the target.**

(Paragraph 3.1.29)

- **In Legal Metrology Department, there was dearth of inspecting staff which affects the quality of inspection. Recommendation (October 2004) to bring the Legal Metrology Department under the Consumer Affairs Department for better co-ordination had not been implemented.**

(Paragraph 3.1.30 to 3.1.33)

- **Consumer Protection Councils were not constituted in the State and Districts to protect the interest of consumers.**

(Paragraph 3.1.38)

- **General awareness about the Consumer Protection Act among consumers was lacking as Consumer Information Centres were not set up in all the Districts. No Consumer Welfare Fund was set up to extend financial support to needy consumers.**

(Paragraphs 3.1.41 to 3.1.43)

Introduction

3.1.1 The Consumer Protection Act, 1986 (CP Act) was enacted by the Parliament in 1986 to provide simple, speedy and inexpensive redressal for consumers' grievances. The CP Act is also intended to protect the consumers against marketing of goods and services injurious to life and property. The CP Act came into force with effect from 1 July 1987 after the Government of India (GOI) framed the Consumer Protection Rules, 1987 (Rules). The Consumer Protection Rules in the State of Kerala came into force on 16 October 1987 and were subsequently modified in June 1998. The CP Act provides for establishment of a separate three tier quasi-judicial consumer dispute redressal machinery at the National, State and District levels called the Consumer Disputes Redressal Agencies (CDRAs). These Agencies are empowered to give relief of specific nature and to award compensation to the consumers. They are commonly known as Consumer Courts and at the district level as district forums. The CP Act was amended in 2002 to discourage adjournments, making provision for the senior most member to preside over the CDRAs in case of absence of the President and empowering courts to punish those not obeying orders of the courts in order to facilitate quicker disposal of complaints. The Rules based on the latest amendments had not been issued as of July 2005.

3.1.2 The implementation of the Standards of Weights and Measures Act, 1976 and the Standards of Weights and Measures (Packaged Commodities) Rules, 1977, both of which were enacted in the interest of consumer protection, are monitored by the Legal Metrology Department. The major tasks of the Department are annual verification and sampling of weights, measures, weighing and measuring instruments used in any transaction, industrial production or any other trade, periodical and surprise inspection of trade premises, standardisation of the weights, measures and measuring instruments in the State and detection of malpractices in trading institutions and taking appropriate legal/remedial action against the offenders.

3.1.3 Besides these Acts and Rules, the Prevention of Food Adulteration (PFA), Act 1954, which deals with prevention of adulteration of food stuff intended for human consumption during the stage of manufacture, storage and sale, is aimed at safeguarding the interest of the consumers. The Bureau of Indian Standards is also meant to protect interest of consumers through its two major activities namely Standards Formulation and Certification Marking.

Organisational set up

3.1.4 The Secretary, Food, Civil Supplies and Consumer Affairs Department is in charge of the implementation of the Act in the Government. The Director of Civil Supplies is the Head of the Department. The State Consumer Disputes Redressal Commission (CDRC) and 14 District Consumer Disputes Redressal Forums (CDRFs) are the implementing agencies.

3.1.5 The Controller is the Head of the Department of Legal Metrology. The Secretary, Health and Family Welfare Department is responsible for the implementation of the PFA Act in the State. The Director of Health Services is the Food Health Authority in the State. The Deputy Director (PFA) in the Directorate of Health Services is the programme officer for the prevention of food adulteration.

Audit objectives

3.1.6 The audit review on the implementation of the CP Act and the Rules relating to the Consumer Protection was conducted to assess:

* the extent to which the adjudication mechanism had been created as prescribed;
* whether any documented policy for achieving the intended objectives and strengthening of infrastructure exist;
* whether rules governing issues of implementation of the Act had been formulated and notified and adequate mechanisms for administering various Acts for consumer protection exist;
* whether the infrastructure created for disposal of the complaints met the expectation of the consumers and fulfilled the purpose of the enactment of the Act;
* whether Consumer Protection Councils had been notified and were functioning;
* whether a uniform plan for staffing and operation had been prescribed and being adhered to in staffing and operation of the District Forums and the State Commission;
* whether various steps and initiatives including schemes by the GOI/ State Government had succeeded in creating awareness amongst the populace;
* whether adequate system of monitoring of grievances of consumers had been created with a view to ensuring their timely disposal.

Audit coverage

3.1.7 Test check of the records for the period 2000 to 2004 (calendar year) was conducted during May – July 2005 at the Food, Civil Supplies and Consumer Affairs Department of the Government Secretariat, the State Consumer Disputes Redressal Commission (CDRC), four[*] selected Consumer Disputes Redressal Forums (CDRFs), two Regional Analytical Laboratories at Thiruvananthapuram and Kozhikode, office of the Director of Civil Supplies, office of the Controller of Legal Metrology and the Deputy Director of Prevention of Food Adulteration, to ascertain how far the whole system of CDRAs and enforcement mechanism was adequate to meet the expectations of the consumers. Four districts (out of 14) being 29 *per cent* were selected – Thiruvananthapuram (Capital district), Thrissur, Ernakulam and Kannur for test-check.

[*] Thiruvananthapuram, Emakulam, Thrissur, and Kannur

3.1.8 ORG-MARG, an independent agency, was also engaged for a nationwide survey and study on the subject and to assess the level of awareness among the consumers of the CP Act and their level of satisfaction with reference to the complaints lodged in the redressal forums. The engagement of ORG-MARG for the survey was intimated to the State Government in July 2005. ORG-MARG conducted the survey in four districts viz. Thiruvananthapuram, Alappuzha, Thrissur and Malappuram and in the process contacted 1,985 consumers and 101 complainants, five manufacturers/traders, five service providers, three Non-Governmental Organisations (NGOs) and two laboratories. The period of survey was from mid July to mid August 2005. Their findings are incorporated in this review at appropriate places. Executive summary of the findings is given as Annexure to this review.

Inadequacies in creation of the adjudication mechanism in the State Commission

Two additional benches to clear the pending cases were not set up

3.1.9 Under the CP Act, the CDRF, the CDRC and the National Commission constitute the three tier set up for settling the disputes of consumers. In the District Forum, claims up to Rs 20 lakh are dealt with whereas the State CDRC deals with claims above Rs 20 lakh and up to Rs one crore and appeal cases from lower courts. Claims above Rs 1 crore and appeal cases from the CDRC are decided in the National Commission. CDRFs and the CDRC are the agencies functioning within the State. In Kerala, three CDRFs on zonal basis and the CDRC were set up in February 1990. Separate District Forum for each of the 14 districts was set up in October 1991. Thus, there was a delay of more than two years since the promulgation of the CP Rules in the State in setting up of the CDRC in the State and more than four years in establishing the CDRFs in each district. In view of the heavy pendency of cases, the GOI in May 2004 suggested setting up of two additional benches for CDRC in the State. But, the additional benches had not been set up (August 2005) pending issue of revised Rules of consumer protection based on the amendment to the CP Act in 2002. However, the CDRC had been conducting camp sitting for one week in each month at Ernakulam for the convenience of consumers of northern districts of Kerala to clear the pendency.

3.1.10 The Legislative intent of providing speedy redressal for consumers' grievances was not fulfilled as additional benches were not set up despite heavy pendency. How the consumers perceive the Government's inaction to increase the capacity of the State Commission and the District Forums to deal with more cases came out in the survey conducted by the ORG-MARG. They reported that almost 62 *per cent* of the consumers responded either that the Government was not doing enough to safeguard consumer rights or that they were not aware of such efforts by the Government.

Policy formulation and absence of uniform procedure

3.1.11 Though the State was administering several Acts and Rules aimed at the welfare and protection of consumers, there was no separate documented policy outlining the programme objectives to be achieved through various schemes. In the absence of a well defined policy, no priority was accorded either for infrastructure development or for creation of adjudication mechanism or for setting up of a monitoring system to suggest remedial measures. No specific schemes were drawn up to involve the NGOs in the activities.

3.1.12 Rules governing issues of implementation of the CP Act were notified in October 1987. These Rules contained various provisions governing the service conditions of the President and the Members of the State Commission and the District Forums but the rules governing the staff, including their recruitment rules were not framed. As was resolved in the meeting convened (October 1999) by the President of the National Commission, a uniform procedure for processing of complaints from the date of receipt till their final disposal was to be drawn up by the State Commission and the National Commission. Such uniform procedure was not prepared. As a result, divergent practices were followed in filing of the complaints and their processing.

3.1.13 Though the CP Act provides for a simple registration process where an application can be filed on a plain paper, but the ORG-MARG survey results showed that 23 *per cent* of the complainants used stamp papers to file the cases.

3.1.14. The ORG-MARG survey also disclosed that a majority among those aware of the CP Act and redressal agencies did not have appropriate knowledge on the procedures and other details. For instance, 48 *per cent* of them did not know whether lawyers were required; another 20 *per cent* reported that it was required by either or both the parties. There was mixed response on court fee, where 37 *per cent* felt it was not necessary to deposit court fee, another 11 *per cent* reported that on registering cases with redressal agency court fee was also paid; the remaining (52 *per cent*) could not comment on this subject. Only 38 *per cent* were aware of the goods and 30 *per cent* were aware of the services covered under the CP Act.

3.1.15 The National Commission directed that the amount deposited by persons filing appeal against the judgement of the CDRFs/CDRC should be kept in the nationalised banks in short term deposits. On final judgement, the amount together with interest was to be repaid to the person succeeding in the appeal. However, in all the CDRFs except at Thiruvananthapuram, the amount collected from appellants were deposited in the Treasury as Civil Court Deposits (CCD) for which no interest was payable. The procedure for withdrawal of money from the Treasury often resulted in delays and difficulties in getting the amount due on disposal of appeals. In the CDRF, Thiruvananthapuram, 68 Demand Drafts for Rs 21.69 lakh received as deposits made by appellants during May 2001 to January 2004 were kept in hand up to March 2004 instead of depositing it in the bank, for want of directions from the CDRC and thus had become time barred.

Adequacy of infrastructure

Rupees 1.77 crore of infrastructure funds were not spent even after seven years of its release

3.1.16 CDRC and the CDRFs at Thiruvananthapuram, Ernakulam and Idukki had their own office buildings. Six[♣] forums were located in the respective Civil Office Buildings and the remaining five[∞] were functioning in rented buildings. Nine[*] out of the 14 CDRFs had reported that the area provided was not sufficient. It was noticed that three[@] CDRFs were situated at places 5 to 9 km away from the District Headquarters making it difficult for the consumers to reach the forum. In order to improve the infrastructure, the GOI sanctioned one-time grant of Rs 1.90 crore to the CDRC during 1995-98. Of this, Rs 1.17 crore only (62 *per cent*) could be utilised as of August 2005. The State Government also sanctioned Rs 2.03 crore during 1995-99 for acquisition of land and development of infrastructure facilities. Of this, Rs 99 lakh (49 *per cent*) had been utilised as of August 2005. The expenditure incurred was mainly on items like construction of buildings, residential telephone to the Presidents of redressal agencies, purchase of books, electronic equipment, etc. CDRC attributed the underutilisation of funds to difficulties in acquiring land for construction of own buildings for the CDRFs. The non-utilisation of nearly 45 *per cent* of the funds even seven years after release showed the lack of commitment of the Government towards providing adequate infrastructure facilities to the consumer forums.

3.1.17 Absence of infrastructure in terms of proper buildings also makes it more difficult for consumers in general to become aware of the existence and the location of the redressal agency. Results of the ORG-MARG survey revealed that only 26 *per cent* of the consumers were aware of the existence of any redressal agency and 24 *per cent*, who were aware of the CP Act, did not know about the location of the consumer forum in their respective districts.

Office Automation

3.1.18 No fax machine was available in the CDRC or in any of the CDRFs. Photocopier was not available in the CDRF, Thiruvananthapuram and the one available in the CDRF, Thrissur was not in working condition. The computers supplied to the CDRFs, Thrissur and Wayanad were not in working condition as there was no periodical maintenance. The computers, wherever provided, were also not used for data processing due to non-availability of trained staff. No software suitable for the CDRAs was also developed. Though the National Commission had directed (February 2002) that the CDRC be provided with NICNET connectivity for E-Mail and Internet through Dial up connection before March 2002, no connectivity was provided as of August 2005 despite availability of Rs 72.70 lakh from the grant released by the GOI during 1995-98. As part of the Government initiative "Fostering Quality Consciousness Amongst Consumers", the Department decided (November 2004) to computerize the consumer courts in the State to facilitate speedy

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[♣] Kollam, Kottayam, Palakkad, Malappuram, Wayanad and Kozhikode
[∞] Pathanamthitta, Alappuzha, Thrissur, Kannur and Kasaragod
[*] Pathanamthitta, Kottayam, Alappuzha, Idukki, Ernakulam, Thrissur, Malappuram, Wayanad and Kasaragod
[@] Ernakulam, Kasaragod and Kozhikode

settlement of complaints developing necessary IT software and infrastructure. Accordingly, the Government appointed (March 2005) KELTRON[@] as the Total Solution Provider at a cost of Rs 14.50 lakh. A sum of Rs 3 lakh had also been advanced to KELTRON in March 2005 and against the target of completion of work by June 2005, the work was still in progress as of August 2005.

Laboratory

3.1.19 An approved list of laboratories had been notified in the Kerala Consumer Protection Rules. Twenty-four approved laboratories were functioning in the ten districts of the State and in the remaining four districts no approved laboratory was available. The time allowed for settling the cases which required analysis or test is five months from the date of receipt of notice by the opposite party. There was a delay of three years in one case out of 12 cases referred to the laboratories for examination from the CDRF, Ernakulam. In CDRF, Kannur, three[#] cases (out of four) referred (December 2001 and January 2002) for examination to Deputy Director, Agriculture, Fertilizer Quality Control Laboratory, Thiruvananthapuram (Laboratory) were pending as of July 2005. When the Forum took up the matter with the Laboratory, the Deputy Director of the Laboratory reported (September 2004) that the samples had not been received by them. No further correspondence were on record with regard to ascertaining the status of examination of the samples by the Laboratory.

Adequacy of staffing and funding for Operations

Vacancy position of President and Members

Vacancies of the President/Members in the CDRC/CDRFs were not filled up

3.1.20 The CDRC/CDRF comprised the President and two members of which one of whom should be a woman. Of the three, at least two were to be present for a regular sitting. In the CDRC, the post of one Member was vacant from September 2003. In five[⊗] CDRFs, posts of the President were vacant as of August 2005. In five[♦] CDRFs, posts of the Members were vacant as of August 2005. In the CDRF, Malappuram, which is the most populous district, the posts of both the President and the Member were vacant and the forum was non-functional from January 2004. Government stated (July 2005) that the appointments of the President and Members of the CDRAs could be made only after disposal of the writ petition pending in the Hon'ble High Court of Kerala on the subject. It was observed that even before filing of the petition in 2003, timely appointment of the President/Members was not being made.

[@] Kerala State Electronics Development Corporation Limited

[#] OP 416/01, OP 7/02, OP 12/02

[⊗] Thiruvananthapuram (03 June 2003), Alappuzha (11 June 2003), Malappuram (16 October 2003), Kollam (03 May 2005) and Kasargod (24 May 2005)

[♦] Wayanad (30 March 2003), Malappuram (29 January 2004), Pathanamthitta (08 March.2004), Thrissur (17 November 2004) and Kottayam (10 November 2004)

Administrative Staff

Shortage of staff in the CDRC/CDRFs

3.1.21 All the administrative staff of the State Commission, except the Court officer who is on deputation from the High Court of Kerala, and the District Forums were on deputation from the Department of Civil Supplies. They were required to work in the CDRC or CDRFs for a minimum period of three years for the smooth functioning of the Consumer Courts. The sanctioned strength of CDRC and 14 CDRFs were 21 and 132 respectively. According to the Report of the Bagla Committee (2000) appointed by the National Commission to assess the requirement of staff in the CDRAs, the staff required at CDRC was fixed as 38 and that of each CDRF at 14. Also for every 250 pending cases two clerks were to be appointed. The request for additional staff sent by the CDRC in August 2004, was not accepted by the Government as of July 2005. It was also observed that even against the sanctioned strength of 132 in forums there were three vacancies as of July 2005.

Insufficiency of funds for postage stamps

3.1.22 It was noticed that in the CDRF, Thrissur average allotment for purchase of postage stamps in a year was Rs 30,000 whereas the amount required for sending notices and other documents was more than Rs 1.25 lakh. It was also noticed that the forum was collecting postage stamps from the complainants for sending documents. As no account was maintained of the stamps collected from the complainants, the possibility of misutilisation of funds allotted by the Department for purchase of postage stamps could not be ruled out. Moreover, collection of stamps from the complainants was against the spirit of the CP Act. In the CDRF, Ernakulam, non-availability of funds for purchase of postage stamps caused delay in sending notices and orders of the forum.

Non-uniformity in working hours

Shortfall in working days in the CDRC/ CDRFs during 2003 and 2004

3.1.23 As per the CP Rules the working days and the office hours of the CDRC and CDRFs shall be on par with that of the State Government offices. It was, however, seen in audit that there were shortages in the number of sittings. Against the normal working days of 280 and 284 during 2003 and 2004 respectively, the number of days of sitting ranged between 171 and 246. The shortfall was attributed (July 2005) by the CDRFs to hartal, administrative reasons, want of quorum, etc. No sittings were held on Saturdays at the CDRFs, Ernakulam and Kannur. CDRC had not given a clear and uniform direction in this regard. According to the GOI notification (May 2005) the hearing of cases had to be arranged on all working days.

3.1.24 Continuous vacancies in the interim periods in the posts of the President and Members coupled with absence of adequate staff, non-uniformity in working hours also contributed towards delay in disposal of cases as well as pendency as discussed below.

Disposal of cases in State Commission and District Forums and analysis of cases filed

3.1.25 The position regarding receipt and disposal of cases in the CDRC and the 14 District Forums since their inception in February 1990/ October 1991 and their pendency as on 31 December 2004 was under.

	Number of cases (OP* and appeals) received	Number of cases (OP and appeals) disposed of and its percentage	Number of cases pending as on 31 December 2004
CDRC	18,933	15,140 (80)	3,793
District Forums (CDRFs)	1,39,027	1,32,280 (95)	6,747

There was delay of more than five months in 30 and 22 *per cent* of the cases disposed of by the CDRC and the CDRFs respectively

3.1.26 An analysis of 15,140 cases disposed of by the CDRC revealed that only 32 *per cent* of the cases were disposed of within 90 days and the delay in disposal of 30 *per cent* cases was beyond five months. Similarly, 22 *per cent* of cases were disposed of by the CDRFs with a delay of more than five months. Also, an analysis of 3,793 cases pending as of 31 December 2004 in the CDRC showed that 50 *per cent* of the cases were pending for more than two years.

Percentage of disposal of cases in the CDRC/CDRFs was showing declining trend during the last five years

3.1.27 An analysis of the cases received and disposed of during the last five years revealed that the disposal in the CDRFs ranged from 44 to 60 *per cent* and that in the CDRC from 9 to 42 *per cent* as shown below: -

Year	CDRC		CDRFs	
	Current and carried over cases	Disposal (*per cent*)	Current and carried over cases	Disposal (*per cent*)
2000	2,771	1,153 (42)	14,699	8,793 (60)
2001	2,987	993 (33)	13,661	7,616 (56)
2002	2,961	545 (18)	12,374	5,499 (44)
2003	3,499	562 (16)	13,373	6,742 (50)
2004	4,171	378 (9)	12,757	6,010 (47)

3.1.28 Survey conducted by the ORG-MARG revealed that the average time taken to resolve a case was 6.5 months. Whereas in respect of unresolved cases, the average time of pendency was 40 months. Majority of the complaints were against services (53 *per cent*) such as electricity (27 *per cent*), other financial services (21 *per cent*) and insurance services (20 *per cent*). This may imply that competition in the product market takes care of the consumer problems but in case of monopolistic situation the consumer had to approach consumer redressal agencies.

Enforcement Mechanism

Prevention of food adulteration

3.1.29 After examining paragraph 3.1 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2000 on implementation of the PFA Act, the Public Accounts Committee

* OP: Original Petition

recommended that the functioning of the Government laboratories should be revamped by equipping them with modern instruments for the detection of adulterants. However, it was noticed in audit that several items of equipment like Fluorimeter, FT-IR Spectrometer, Gerber Centrifuge, Abbeys Refractometer, etc., urgently needed for conducting various tests were not available in the laboratories. Though the PAC had also recommended action against short collection of samples, there was no improvement in the collection of samples for want of adequate funds. Against the target of 4,350 per month in 2004-05, the collection of samples was only 28 *per cent*. This was attributed (July 2005) to non-allotment of sufficient funds for petrol, oil and lubricants for the 17 vehicles of the wing during 2000-05 which are required for carrying out the inspections.

Legal Metrology

3.1.30 The enforcement of the provisions of the Standards of Weights and Measures Act, 1976, vests with 96 Inspectors. The Department sent proposals (June 2005) to the Government for creation of 60 inspecting staff commensurate with the increase in the number of trading units during the last 10 years; no corresponding increase in the posts had been made (July 2005).

3.1.31 As per the norms fixed in 1981, an Inspector has to check 25 to 40 weights and measures instruments brought by the traders in a day. Due to the increase in the number of institutions/units, one inspector has to re-examine and stamp at least 70-80 instruments a day and this adversely affects the determination of the precision and accuracy of the instruments. Owing to increased workload, the number of days for surprise check had also been reduced considerably.

3.1.32 The Department had not fixed any physical target for the Inspectors. However, it was noticed that the focus remained only on inspection of larger units and smaller units were given lower priority. A gold testing laboratory set up (January 2004) at Kochi at a cost of Rs 32.90 lakh was not functioning for want of required staff as of July 2005.

3.1.33 There was no coordination among the various Departments involved in consumer activities. In the study report on the simplification of the procedure of Legal Metrology Department conducted by the Personnel and Administrative Reforms Department of the State Government in October 2004, it was suggested that rather than earning revenue, protection of the rights and interests of the consumers should be made the real thrust area of the activity of the Department. It was also recommended that the Department should be detached from the Revenue Department and should be brought under Consumer Affairs Department for better functioning of the Department. No action was taken by the Government in this regard (July 2005). There was also no monitoring cell in the Directorate to watch the activities and for follow-up.

Execution of Judgments under CP Act

3.1.34 The amount decreed as compensation or fine or penalty was to be paid directly to the decree holders by the opposite party. CDRAs became aware of the non-compliance of the court orders, if any, only if the complainant approached the Commission or Forum for filing Execution Petition (EP). There was no time limit prescribed for filing EP until May 2005 when the GOI issued a notification fixing 30 days as the time limit. When the parties against whom the decree had been passed were not complying with the order, the awarded amounts were realised from the parties through EPs. If the parties fail to remit the awarded amounts even after the EPs were filed, arrest warrants were to be issued against them. Due to lack of co-operation from police authorities, the CDRAs were experiencing great difficulty in execution of warrants.

3.1.35 It was noticed that 2,682 EPs pending disposal as of December 2004 were not included in the returns filed before the National Commission from the State. The returns thus did not give a comprehensive picture.

In four CDRFs, 39 *per cent* of the EP cases were pending settlement

3.1.36 During 2000 to 2004 in the four CDRFs test checked, out of 3,442 EP cases filed 1,350 cases (39 *per cent*) were pending disposal as of July 2005.

3.1.37 In the ORG-MARG survey also, it came out that of the 18 complainants surveyed eight responded that they had not received compensation though the decree had been passed in their favour. On an average compensation was due for 40 months and for those who had received the compensation the same was received within an average period of eight months.

Functioning of Consumer Protection Councils

Consumer Protection Councils were not set up

3.1.38 The Consumer Protection Councils were meant for promoting and protecting the rights of consumers by dissemination of information and through consumer education. These were also supposed to ensure that the consumer interests would receive due consideration at the appropriate forums. Though a State Council was set up in June 2002 its tenure ended in June 2005. It had not been reconstituted as of August 2005. Despite passage of more than 3 years, District Councils had not been set up which also had direct linkage to lack of awareness with regard to consumer protection as also skewed profile of complainants with majority belonging to urban areas and well earning groups.

3.1.39 The ORG-MARG survey revealed that more than half of the complainants resided in urban areas and except two, the rest of the complainants were educated and had an average monthly household income of Rs 6498. This implied that the facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle and upper middle strata of the community.

3.1.40 Thus, the intention of protecting the interests of consumers and strengthening the consumer movement at the grass root level through the functioning of the State and the Districts Consumer Protection Councils was only partially fulfilled.

Awareness and Empowerment of Consumers

Consumer Welfare Fund (CWF)

Consumer Welfare Fund was not set up

3.1.41 GOI asked (September 2003) the State Government to set up a State Consumer Welfare Fund (CWF) to strengthen the voluntary efforts for promoting consumer movement and offered (February 2004) a seed money of Rs 15 lakh. Government had not set up CWF as of July 2005. As a result subsequent grant of Rs 95 lakh (Rs 25 lakh to CDRC and Rs 5 lakh each to 14 CDRFs) allocated by the GOI could not be availed of.

District Consumer Information Centres

Except in Thiruvanantha-puram, Consumer Information Centres were not set up in districts

3.1.42 Under the Central Consumer Welfare Fund there was a separate scheme of establishment of District Consumer Information Centre (DCIC) to promote and protect the welfare of the consumers, generating consumer awareness and strengthening consumer movement. However, only one DCIC was set up in January 2003 in Thiruvananthapuram with the GOI assistance by the Centre for India Consumer Protection and Research – an NGO. The main objectives of the Centre was to extend information support to needy consumers, consumer education, rights protection, complaint handling, etc. A sum of Rs 2.5 lakh was released (August 2002) to the Centre as the first instalment. The proposal for releasing the second instalment of Rs 1.5 lakh was pending with the District Collector/Government as of July 2005.

Generation of consumer awareness

3.1.43 The success of the consumer movement depends upon the level of awareness among the masses about their rights. In Kerala, a Consumer Affairs Wing was set up under the Food and Civil Supplies Department at the Government level only in April 2003 with a skeleton staff headed by a Joint Secretary. The activities such as celebration of World Consumer Rights Day, National Consumer Day, giving away annual awards to NGOs, arranging seminars, etc., conducted by the Government were confined only around the State/District Headquarters and, therefore, consumer awareness did not permeate to the grass root level.

3.1.44 There was no separate Media Policy for the dissemination of information relating to rights of consumers, filing of complaints and procedure for adjudication. No survey to assess the awareness among the people had been conducted (July 2005). The Department stated that one survey had been planned for the year 2006 under Modernising Government Programme.

3.1.45 GOI formulated (June 2004) a scheme to form consumer clubs in schools to impart consumer education to the school children and offered an assistance of Rs 10 lakh. Government stated (August 2005) that proposals received for the scheme were under finalisation. State Government also failed to avail of the assistance from the GOI for extending legal aid to the under-privileged.

3.1.46 The CP Act envisages formation and functioning of the Consumer Clubs/ NGOs for information dissemination on consumer rights and the CP

Act. Findings of the ORG-MARG survey revealed that only 0.2 *per cent* of the respondents reported to have learnt about the CP Act from the NGOs.

3.1.47 The ORG-MARG survey revealed that though the CP Act is envisaged to benefit all the consumers in urban and rural areas only 3 *per cent* of the rural population had heard about it. The analysis further showed that among those consumers who were aware of the CP Act, most belonged to the educated lot (44 *per cent*), self employed (59 *per cent*), employed with the Government (71 *per cent*), private organisation (63 *per cent*), students (58 *per cent*) and retired persons (76 *per cent*). Majority of respondents who were aware of consumer rights had come to know about it from electronic media (76 *per cent*) and print media (71 *per cent*).

Role of Non-Governmental Organisations (NGOs)

3.1.48 The Audit team also surveyed 59 NGOs, from the list of NGOs maintained by the Director of Civil Supplies (5 in person and 54 through correspondence) to know their views on the consumer redressal agencies and their functioning to improve the system. Of the 31 responses received, 26 NGOs expressed dissatisfaction with the functioning of the redressal agencies. The major difficulties pointed out by them were introduction of fee for filing complaints, undue delay in settling cases, involvement of advocates, vacancy of Presidents and Members, shortage of administrative staff. Suggestions made by the NGOs to improve the system were mainly to withdraw the fee introduced for filing appeals, take effective steps to fill the vacancies of the President and Members and other ministerial staff, provide police support for executing decrees and hold sittings on all the Government working days.

Monitoring Mechanism

3.1.49 GOI, while considering the request of various States for the grant of one time financial assistance, issued (July 1995) instructions to clear the pendency of cases and fixed norms for the daily disposal of 10 cases which did not include adjourned cases. In case laid down norms of disposal were not achieved, some penalty for inefficiency was ordered to be devised. Further, a daily achievement report was required to be submitted to the National Commission for monitoring.

3.1.50 National Commission directed (May 2004) that complaints lodged by widows and senior citizens should be settled on priority basis and disposed of preferably within six months. But there was no mechanism in the CDRC and the CDRF, Alappuzha to watch such complaints. In the four districts test checked, out of 1,367 cases filed by widows and senior citizens during May to December 2004 only 504 cases were disposed of within six months.

3.1.51 There was no system of monitoring of complaints and appeals filed and disposed of either at the Government level or at the CDRC level. The CDRFs sent periodical progress reports to the CDRC and the CDRC sent a compiled report to the Government and the National Commission.

Conclusions

3.1.52 The legislative intent of Parliament to empower the consumer and to provide him quick redressal had only been partially achieved in the State. This was mainly due to administrative deficiencies and delays in disposing of cases. The disposal rate during 2000-2004 ranged from 9 to 42 *per cent* in the CDRC and 44 to 60 *per cent* in the CDRFs. Delay in filling up of vacancies of the President and the Members in the District Forums and the State Commission and providing infrastructure facilities was noticed. Non-formation of Consumer Protection Councils in districts and delay in reconstitution of the State Council hampered the activities of empowerment and awareness generation among the consumers. Implementation of the Weights and Measures Act and the PFA Act also suffered from deficiencies like shortage of staff, inadequacy of funds, etc.

3.1.53 The ORG-MARG survey result revealed that on the whole the stakeholders and the complainants perceive the redressal mechanism as simple and reasonable but not very speedy.

3.1.54 Recommendations

* A monitoring mechanism or a system of internal control may be put in place to deal with the delay in disposal of cases, implementation of uniform procedure in districts and set up additional benches, courts, etc.
* Vacancies of Presidents and Members of the Consumer Dispute Redressal Agencies and Forums may be filled up immediately so as to ensure their proper functioning.
* Receipt of compensation by the complainants within a reasonable period of time, has to be ensured.
* Infrastructure facilities like buildings, communication equipment, etc., may be provided to all the consumer courts.
* Measures to promote/generate consumer awareness may be taken up by setting up Consumer Protection Councils, District Information Centres, etc.
* Sufficient funds for equipping laboratories with modern equipment and necessary inspecting staff for the Legal Metrology Department may be provided for enforcement of the provisions of PFA Act and Standards of Weights and Measures Act.

3.1.55 These points were referred to the Government in September 2005; reply had not been received (September 2005).

Annexure

Executive Summary of ORG-MARG findings

In order to gain an understanding of the functional status of the Consumer Protection Act Consumers at large, Complainants, manufacturers/service providers, NGOs and appropriate laboratories were covered under the survey. In State of Kerala a total of 1985 consumers spread across urban and rural areas were contacted. Besides 101 complainants, 10 manufacturers/service providers, 3 NGOs and 2 laboratories were interviewed. The survey was conducted during mid July to mid August 2005.

FINDINGS OF THE SURVEY

- Overall 84 *per cent* of the Consumers at large gave importance to knowing the Consumer Protection Act (CPA) but 33 *per cent* not aware of consumer rights and 57 *per cent* still unaware of Consumer Protection Act.
- The act is envisaged to benefit all the consumers in urban and rural areas but only 3 *per cent* of the rural population has heard about it.
- In response to whether the Government is making any effort in safe-guarding the consumer rights, only 38 *per cent* replied positively remaining either carrying negative or have no idea of the same.
- Formal source of awareness – electronic and print media stand at 76 and 71 *per cent* respectively and only 0.2 *per cent* learnt about CPA from the NGOs.
- Majority of the aware Consumers at large (33 *per cent*) have come to know about the act only in the last 2-3 whereas the act has been in existence for past 19 years.
- Overall, only 26 *per cent* were reported to be aware of the existence of any redressal agency. Awareness on this among those aware of rights and CPA was obviously higher.
- Around 76 *per cent* aware of CPA knew about the location of the redressal agency in their respective district.
- More than half of the complainants resided in urban areas and except two rest of the complainants were educated and earned a monthly house hold income of Rs 6,498/- . This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper middle strata of the community.
- Majority of the complaints were against services (53 *per cent*) such as electricity (27 *per cent*) other financial services (21 *per cent*) and insurance services (20 *per cent*). This may imply that competition in the product market takes care of the consumer problems but in case of monopolistic situation, the consumer has to approach consumer redressal agencies.

- Like consumer at large, majority of complainants (85 *per cent*) came to know about the redressal agencies through Print media and 69 per through electronic media. NGOs not a popular source of awareness (<6 *per cent*).
- Twenty-three *per cent* of the complainants used stamp paper to file the case and in majority of cases (95 *per cent*) the lawyers/agents advised them to do so.
- Around 41 *per cent* of complainants who registered their complaints prior to March 2003 reported to have deposited court fee notwithstanding the fact that the court fee was introduced only in March 2003.
- An analysis of time taken at various stages of the cases show that on an average 5.9 days were spent for registering a case and 28 days were taken for serving the notice, first hearing was held after 25 days.
- On an average 2.2 hearings were required to resolve the case. Around 51 *per cent* of cases were still unresolved even after 3 hearings and most of these cases were against sellers of consumer durables (39 *per cent*)
- To resolve a case on an average 6.5 months were spent. In case of unresolved cases the same were pending for past 40 average months.
- There were 44 *per cent* where the decree was passed and compensation was yet to be received. On an average the compensation was due for 40 months. For those received compensation the same was received within an average period of 8 months.
- On an average the complainant had to spent Rs 2038/- to resolve the case of which large proportion (average amount of Rs 1237/-) comprised of the advocates fee.
- The manufacturers and service providers were well aware of CPA and most of them had formal mechanism to deal with cases in consumer court on the contrary not many Consumers at large were aware of Act or the redressal system.
- The NGOs are involved in spate of activities such as consumer education, advocacy, organising seminars/camps, etc. They are also facilitating the consumers in filing cases and act as agents.
- Overall all the stakeholders and the complainants perceive the redressal as simple and reasonable but not very speedy.

LOCAL SELF GOVERNMENT DEPARTMENT

3.2 Attappady Wasteland Comprehensive Environmental Conservation Project

Highlights

- **Funds provided for implementing the Project were not fully utilised. Only 30 *per cent* of the project cost could be spent by March 2005.**

(*Paragraphs 3.2.9 to 3.2.13*)

- **Provision for cost escalation, interest during project period, international consultancy, etc., were added to the original project cost thereby increasing cost of project by 141 *per cent*.**

(*Paragraphs 3.2.14 and 3.2.15*)

- **There were multiple consultancy services. Performance of consultants engaged was not effective.**

(*Paragraphs 3.2.18 to 3.2.21*)

- **Even though the project area was reduced to less than half, achievement was only 30 *per cent* of the reduced area at the end of the extended project period.**

(*Paragraphs 3.2.22 to 3.2.25*)

- **Widespread human intervention as well as activities detrimental to environment were noticed in the project area.**

(*Paragraphs 3.2.28 to 3.2.30*)

- **Studies/research on environment provided for under the Project were not taken up.**

(*Paragraphs 3.2.31 to 3.2.32*)

- **Poverty alleviation/income generation activities were not effective.**

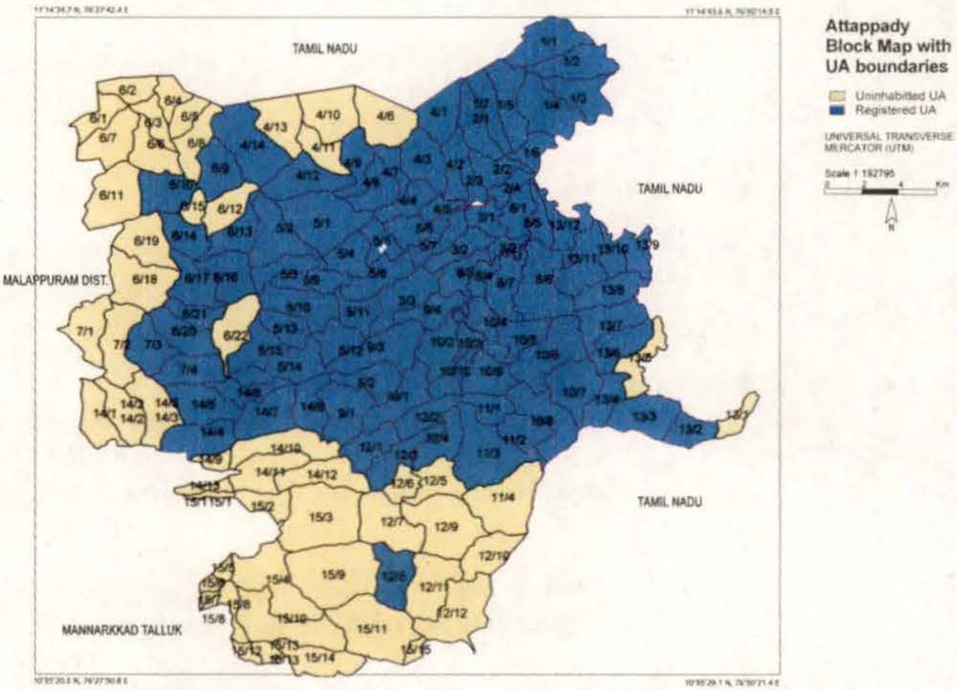
(*Paragraphs 3.2.33 to 3.2.35*)

- **Large savings prompted move to restructure the Project, venturing into areas where other Departments/Local bodies were already active.**

(*Paragraphs 3.2.36 to 3.2.46*)

Introduction

3.2.1 Attappady Block, in the north-eastern corner of Palakkad District, which forms part of the Nilgiri Biosphere Reserve, was well known for its natural wealth and tribal clans. The area witnessed massive influx of settlers from both Tamil Nadu and other parts of Kerala during the post independence years which unsettled the fragile ecological balance of the area. The tribals who once dominated the area with 90 *per cent* (1951) of the population had now been reduced to a minority with 42 *per cent* (2001).



3.2.2 Organised destruction of forest, unscientific land use and uncontrolled grazing resulted in extensive soil erosion thereby making Attappady the block with the highest proportion of wasteland in Kerala. This situation led to the realisation that poverty and environmental degradation are intricately interlinked. With a view to restoring the degraded wastelands and ensuring better livelihood for the dwindling tribal population, the Attapaddy Wasteland Comprehensive Environmental Conservation Project (Project) was started in 1996.

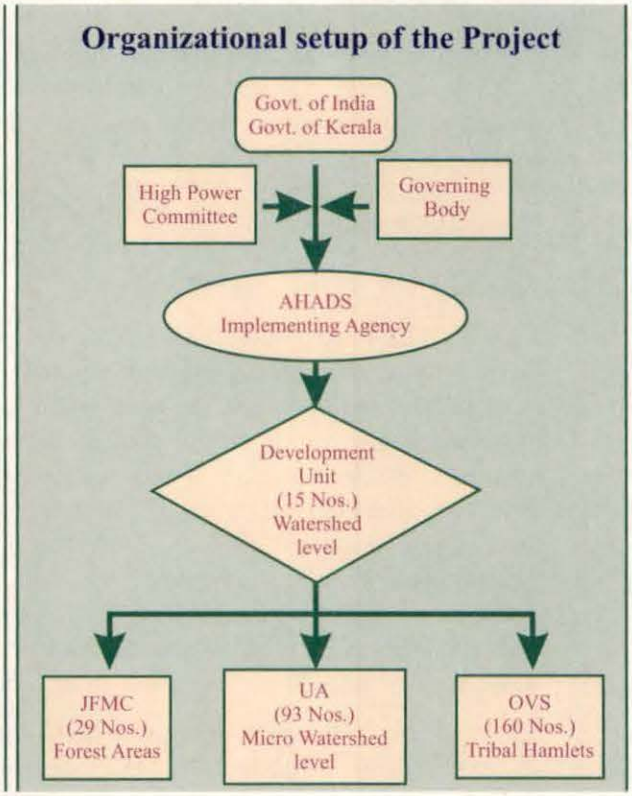
Project objective

3.2.3 The objective of the Project was ecological restoration of the degraded wasteland in Attappady and development of replicable models of participative eco-restoration so as to prevent further degradation and promote sustainable method of livelihood for the people, in harmony with the resource base. The Project involved restoring 507 sq. km. of wasteland spread over 15 sub watersheds or Development Units to be completed in a phased manner within seven years from 1996-97.

Organisational set up

3.2.4 The Attappady Hills Area Development Society (AHADS) registered in 1995 under the Charitable Societies Registration Act, 1860 is the Project Implementing Agency (PIA). A High Power Committee under the Chairmanship of the Chief Minister approves the Annual Action Plans, Budget and the Accounts. The administration and management of the Society was vested with the Governing Body headed by the Principal Secretary to the Government, Local Self Government Department (Rural). A Project Director, assisted by five Deputy Directors, administers the Society.

3.2.5 Attappady is drained by rivers Bhavani (three sub basins) and Siruvani (two sub basins). These five watersheds were divided into 15 sub-watersheds, called Development Units (DUs), as these constituted the primary units of development area. These 15 DUs were further divided into 146 micro watersheds. At micro watershed level, User Associations (UAs) were formed to enable the participation of inhabitants in the execution of Project work. At each tribal hamlet, Ooru Vikasana Samithi (OVS) was in charge of Project activities concerning the respective hamlet. Joint Forest Management Committees (JFMCs) managed the forest reserves to rejuvenate the degraded forestland.



Audit objective

3.2.6 A review of the Project was taken up to assess whether:

- the Project funds were efficiently and effectively utilised;
- the decision to restructure the Project in 2001 and to include additional socio-economic programmes was justifiable;
- there was justification for diversion to other areas; and
- the Project was effective in the social and economic upliftment of the weaker sections.

Audit coverage

3.2.7 Records of the AHADS, selected User Associations (UAs), Ooru Vikasana Samithis (OVS) and Joint Forest Management Committees (JFMCs) covering the period 2000-01 to 2004-05 were test checked during March – June 2005 with a view to critically examining the performance in the implementation of project activities.

Audit methodology

3.2.8 The methodology adopted in audit for assessing whether there was visible improvement in the environmental conditions consisted in

- data collection/evidence gathering from the AHADS files on various activities;
- scrutiny and check of records of the AHADS, selected UAs, OVSs and JFMCs and visit to the field units; and
- study of Assessment /Evaluation Reports, Annual Accounts etc.

Norms fixed by the Government/funding agency, Project implementation schedule as given in the loan agreement and the AHADS policies, programmes, directives, guidelines, etc., were utilised for the purpose of arriving at the audit criteria.

Financial management

Funding

3.2.9 The Project involved a loan component of Rs 176.90 crore to be funded by the Japan Bank for International Co-operation (JBIC) and Rs 42.40 crore to be spent by the State Government. As per the agreement, the original implementation period of the Project was from 1996-97 to 2002-03. It, however, continued up to 2004-05 and no assistance was available after March 2005. Japanese Government has, however, agreed (March 2005) to extend the Project period up to 2007-08. The State share of Rs 42.40 crore covered general administration expenses, taxes and duties, purchase of land, etc. The entire requirement for the Project was to be first met by the State Government and reimbursement for works done under the loan component obtained subsequently through the Government of India.

3.2.10 The funds were drawn by the Commissioner for Rural Development and made available to the AHADS by means of Demand Drafts. Details of budget provision, funds released and expenditure incurred thereagainst were as follows:

(Rupees in crore)

Period	Budget allotment	Funds drawn by Rural Development Department and made available to AHADS	Expenditure$^{\Omega}$	Reimbursement claim			
				Preferred	Received	Disallowed	Under process
Up to 1999-2000	74.23	4.80	2.99	1.80	1.80	--	
2000-01	15.00	5.00	3.58	1.65	1.65	--	
2001-02	17.43	6.33	7.49	5.65	5.65	--	
2002-03	33.00	20.00	10.47	8.41	8.29	0.12	
2003-04	23.00	10.00	13.63	10.76	10.76	--	
2004-05	75.00	15.00	18.91	16.63	10.13	--	6.50
Total	**237.66**	**61.13**	**57.07**	**44.90***	**38.28**	**0.12**	**6.50**

$^{\Omega}$ Does not include Rs 8.62 crore representing payments in foreign currency made in the year.
* Out of Rs 42.40 crore to be met by the State Government, Rs 12.17 crore were spent upto 2004-05.

3.2.11 It would be seen that the funds aggregating Rs 237.66 crore provided for the Project up to March 2005 had remained largely under-utilised.

Financial Target/achievement

3.2.12 The expenditure incurred under various components of the Project as on 31 March 2005 was as follows.

Funds provided for implementing the Project not fully utilised. Only 30 *per cent* of the financial target could be achieved

(Rupees in crore)

Component	Target	Expenditure	Percentage
I. Expenditure from loan			
Category A (Conservation/Development Activities)	137.99	39.80	29
Category B (Survey/Monitoring)	7.45	4.44	60
Category C/D (International Consultancies Rs 7.48 crore and interest Rs 16.47 crore)	23.95	9.28	39
Category E (Physical Contingency)	7.51	Nil	--
Total	**176.90**	**53.52**	**30**
II. Expenditure to be met by State Government (Not part of loan) (Indirect Expenses/Taxes/Administration)	42.40	12.17	29
Grant Total	**219.30**	**65.69#**	**30**

3.2.13 It would be seen that only 30 *per cent* of the total Project cost of Rs 219.30 crore could be spent by the AHADS. The utilisation under environment related components which were the most important part of the Project was only 29 *per cent*.

Unjustifiable enhancement of Project cost

Estimation of the Project cost was without reliable and adequate field data resulting in inflated provision for project components

3.2.14 The Project prepared (July 1993) by the Centre for Water Resources Development and Management (CWRDM) for the Rural Development Department of the Government of Kerala envisaged an outlay of Rs 91.05 crore. This was submitted to the Government of India for assistance from Overseas Economic Co-operative Fund (later renamed Japan Bank for International Co-operation - JBIC) in July 1993. An agreement was signed (January 1996) with JBIC for implementation of the Project at a cost of 6338 million yen (Rs 219.30 crore) of which the loan component was Rs 176.90 crore. Thus the original cost of Rs 91.05 crore estimated by the Rural Development Department was enhanced to Rs 219.30 crore on account of reasons discussed below.

3.2.15 Project costing Rs 91.05 crore proposed by the Rural Development Department was for the development of the entire Attappady Block and suggested taking up of the Project with budgetary support and in phases giving priority to DUs where the problems were severe. In the revised Project report, the expenditure on environmental component, infrastructure and contingencies was estimated to be Rs 112.82 crore against Rs 91.05 crore originally envisaged. Apart from this, cost escalation charges (Rs 40.13 crore), interest

Include Rs 8.62 crore representing payments in foreign currency.

during construction (Rs 16.47 crore) and international consultancy charges (Rs 7.48 crore) were also included thereby enhancing the Project cost by 141 *per cent*. The administrative overheads estimated at Rs 42.40 crore was to be met by the State Government. The slow utilisation of funds and inability to achieve the targeted schedule of implementation, however, indicated inadequate appreciation of the correct magnitude of the Project and the capacity of the Project to absorb Rs 219.30 crore within the stipulated time frame.

Collection of betterment levy

3.2.16 The loan from the Japanese Bank, released through the Government of India, was to be repaid by the State Government with interest. As this would lead to resources drain, the Government ordered in November 1996 that a betterment levy be collected from the private land owners who were above poverty line and whose land derived benefits from the Project activities.

3.2.17 AHADS had invested (March 2005) Rs 13.64 crore on conservation activities in private wasteland, apart from proportionate cost on related activities. The issue had been discussed in various committees but a decision on betterment levy remained elusive though it was ordered to impose the same as far back as in November 1996. AHADS had also not yet identified the private landowners from whom the levy was to be collected.

Infructuous expenditure on consultancy services

3.2.18 Though the Project proposals envisaged implementation through participatory approach, works of technical nature were outsourced through consultancy services. Apart from the International consultant, AHADS engaged 14 more consultants for survey (three) and construction activities (eleven). Scrutiny revealed the following:

Appointment of international consultant was much belated

3.2.19 The Loan Agreement, which became effective from 26 March 1996, stipulated that only consultants appointed with the prior approval of JBIC could offer consultancy services. M/s Nippon Koei Company, Tokyo was appointed consultant on 15 July 1999 with the approval of JBIC. Their guidelines on Project implementation only had validity. AHADS, however, appointed two different agencies during the intervening period between the loan agreement (March 1996) and appointment of international consultants (July 1999) and one agency after the international consultancy came into the picture to suggest action plan for Project implementation.

3.2.20 The CWRDM was appointed a consultant in August 1996 for detailed survey and designing the work of the Project. Their report received in April 1999 was deficient in areas like strategy for planning location specific activities, implementation procedure, monitoring and evaluation. An amount of Rs 67.73 lakh was paid to CWRDM as consultancy charges. The Central Soil and Water Conservation Research and Training Institute, Ooty, was entrusted with the work of preparation of micro plan for DUs 4,10 and 13 in November 2001, well after the international consultants came into the picture (July 1999). Their Report prepared at a cost of Rs 44.94 lakh had not been put to use. The Integrated Rural Technology Centre, Mundoor, was entrusted (June 1998) with the preparation of study report of the development activities carried out in Attappady and giving technical advice for preparing action programme on the Developmental Units. Their report submitted in March 1999 (payment made Rs 6.30 lakh) also served no purpose. In addition, Kerala Forest Research Institute, Peechi, appointed in September 1998 neither submitted any report nor refunded the advance of Rs 0.25 lakh. The proposals of these agencies had no validity as only M/s Nippon Koei Co. could offer implementing guidelines. Engagement of these consultant agencies amounted to infructuous expenditure of Rs 1.22 crore.

3.2.21 In spite of the involvement of so many consultants the progress of various components of the Project was tardy despite availability of funds.

Project implementation

3.2.22 The Project had five[*] main components financed by the JBIC with loan assistance with specific allocation for each component/sub component. The loan agreement executed in January 1996 for funding the Project became effective from 26 March 1996. The original implementation period of seven years from 1996-97 was agreed to be extended up to 2007-08.

Physical achievement

Even though the Project area was reduced to less than half of that originally envisaged only 30 *per cent* of the reduced area could be covered

3.2.23 As per the Project the total area for restoration was 507 sq. km. against which the achievement was only 74.13 sq.km. (15 *per cent*). A survey conducted by the AHADS in 2003-04, however, revealed that the area available for restoration was 245.03 sq.km. against 507 sq.km originally projected and the achievement was only 30 *per cent* of the revised area at the end of March 2005. Failure to assess the exact area of operation at the commencement of the Project indicated inadequate planning and resulted in excess estimation of Project cost.

3.2.24 As the area of operation had come down by more than 50 *per cent*, a second restructuring seemed to be imperative to assess the further requirement of funds with the approval of the Government and the lending agency. This had not been attempted (June 2005).

3.2.25 Though the Project was to be completed by 2002-03, the international consultant, as stipulated under the loan agreement, was appointed only in July 1999 and the action plan was prepared by the consultant in December 1999. The implementation of the Project actually commenced in April 2000, after a period of four years of the Project was already over. Only experimental implementation was attempted in 2000-01 in one DU. Full scale implementation commenced only in 2002-03, the year in which the Project

[*] Construction and procurement of equipment and materials; Consulting services for detailed survey, detailed designing and evaluation; International consultancy services; Interest during construction; and Contingencies

was expected to be completed. The abnormal delay was mainly due to the following:

- A full time Project Director assumed charge in August 1996, ten months after the formation of the AHADS. Since then nine Project Directors had been in charge; hence continuity was not ensured.
- Detailed survey and design of the work of the Project was entrusted to CWRDM in August 1996. The eco-restoration programmes submitted by them in April 1999 were found to be insufficient for implementation at the micro watershed level.
- Identification of the exact area of operation and the quantum of work to be carried out was done after the expiry of the original Project period.

Non-implementation of the scheme in three DUs

3.2.26 The DU – wise eco-stabilisation plan worked out by CWRDM in DU 6 and DU 7 suggested implementation of programme worth Rs 4.59 crore and Rs 1.62 crore respectively. But no activity other than construction of road costing Rs 1.31 lakh had been carried out at these two DUs. AHADS's contention that the hamlets in these two DUs lie in a difficult area and accessibility was poor is not tenable as the AHADS was formed for the very purpose of eco-stabilisation work, overcoming these difficulties. Government assured (August 2005) that developmental activities in these DUs, would be intensified.

3.2.27 Similarly, in DU 15 out of the total area of 74.82 sq.km, 32.30 sq.km were degraded. The Project proposals included land development and agronomic activities costing Rs 5.48 crore in DU 15. However, no expenditure had been incurred on any activity in this DU (March 2005). No justification for exclusion of DU 15 from the scope of the Project was also available on records. Government had also not been informed of the exclusion of the DU from the scheme. Government, however, agreed (August 2005) to initiate developmental activities in DU 15.

Activities detrimental to environment

Human intervention in the core zone of the biosphere

Works were carried out in an area forming part of core zone of Nilgiri Biosphere where human intervention is prohibited

3.2.28 Attappady Block forms part of the Nilgiri Biosphere Reserve which has been divided into three different zones by the Department of Environment, Government of India based on UNEP – UNESCO criteria for biospherical zonation. The core zone contains significantly diverse flora and fauna including centre of endemism and genetic richness and represented the least disturbed region existing more or less in its natural state. No human intervention was permissible in the core zone. AHADS, however, undertook developmental activities in DU 11 and DU 12 falling under the core zone even though the original study report prepared by the CWRDM and the loan agreement did not provide for any activities in these DUs. Access Roads, house construction, excavation for pit charge, plantation, soil conservation, civil engineering, water resources, agronomy and forestry were carried out at a cost of Rs 90.81 lakh as of March 2005 in the core zone. When pointed out by Audit, the Government agreed (August 2005) that further developmental activities in the core zone of the biosphere reserve would be undertaken only on getting clearance from the Government of India.

Quarrying activities around Attappady

Illegal quarrying activity damaging the environment was visible near AHADS headquarters

3.2.29 Unscientific development often causes immense damage to the environment of a fragile ecosystem. Land slides and rock falls involve the failure of earth materials under shear stress. The initiation or triggering of the process could, therefore, be thought of in terms of the factors which contribute to increase shear stress. Blasting carried out to clear the mountain for getting granite building stones is one such triggering activity. Illegal quarrying was visible near the AHADS headquarters office (on the northern side – opposite to the canteen building).

Illegal quarrying in the prohibited area

Quarrying in private lands needs a permit from the Department of Mining and Geology. The Revenue and the Forest authorities grant permit for quarrying in lands under their jurisdiction. No action was taken against the environment damaging activities by the AHADS. Government, however, assured (August 2005) remedial action in consultation with the concerned Administrative Department.

Widespread banana cultivation at higher elevation

Cultivation of banana which require water in plenty were widespread in the Project area

3.2.30 It was seen that banana plantation was widespread on the slope of the hills in the Project area. Banana, requiring watering all through its period of growth of 10 months, is a crop suitable for cultivation in the valley. Moreover water requirement of banana i.e. 40 litre/day/plant[*] is the highest among crops next only to rice. As the project area had only scarce water resources, cultivation of crops requiring high quantities of water would cause damage to

[*] Source: study paper on banana cultivation in watershed based agriculture – Centre for Development Studies, Thiruvananthapuram – 2004.

the top soil and have an undesirable environmental impact. Details of banana cultivation in the Project area were not available with the AHADS though its agricultural wing had conducted many watershed-based surveys. When pointed out in Audit, the Government assured (August 2005) that banana would be cultivated as per the land capability classification only.

Activities envisaged but not taken up

Study and Research on Environment

3.2.31 The components added to the Project in August 2001 as part of restructuring included:

- ***Centre for bio-diversity and sustainable development (Rs 70 lakh):*** The scope of activity was to cover the entire Western Ghats. The centre was to be equipped to undertake studies, conduct training programme and provide consultancies in watershed based conservation and sustainable development. The centre was to eventually take over the infrastructure and other facilities created by the AHADS.

Studies/research on environment provided under the Project were not taken up

- ***Bio-diversity studies and Applied Research (Rs 60 lakh)*:** Southern Western Ghats, which includes Attappady, is one of the 18 globally recognised bio-diversity hot spots. The study envisaged to make an inventory of the bio-diversity of the area, measure the size of bio-diversity, monitor the spatial and temporal changes taking place to assess the economically valuable species, study of ecological process and develop a regime for the sustainable management of the bio-diversity of the area.

3.2.32 No steps were taken to implement these two environmental programmes conceived as early as in August 2001. Government, however, assured (August 2005) that the study would commence during the fiscal year 2005-06.

Poverty alleviation - impact of income generation activities

Poverty alleviation/ income generation activities were not effective

3.2.33 A broomstick-manufacturing unit, the first of the income generating activities was started in Vellakulam hamlet during 2000-01. The Project was to generate environmentally sound employment to about 100 tribal men/women for a period of 8 months in a year and the marketing was through the AHADS. Though the raw materials, *viz.,* phoenix grass was locally available and tribals were traditionally adept in the art of broomstick manufacturing, the Project was wound up due to bottlenecks in marketing.

3.2.34 A versatile Dhal mill to procure and process Attappady red grams was started in 2001-02. Two pulse mills with a processing capacity of 300 kg/day were procured from CFTRI, Mysore, one free of cost under UNDP and the other at a subsidised cost of Rs 1.50 lakh. Two women's teams with three members in each were formed at Nakkupathi and Padavayal. The Regional Agro Industrial Development Co-operative of Kerala (RADICO) was in charge of marketing. Only 40 MT of dhal was produced of which RAIDCO marketed 31 MT and returned 9 MT as sub-standard. The Dhal mill ceased functioning after a year of operation (2001-02) after investing Rs 2.25 lakh on the Project. The Project failed because of non-participation of the members; the problem was absenteeism.

3.2.35 Since the second restructuring in August 2001, 122 Income Generating Activity (IGA) groups were formed. Each comprised 13 to 15 members. The training imparted, at a cost of Rs 4 lakh, to some of the IGA groups in areas like chip making and marketing, tailoring and embroidery, medicinal plants cultivation and tissue culture did not fructify into production and income generating activities.

Activities not originally contemplated but taken up

Restructuring of the Project

3.2.36 As explained in Paragraph 3.2.15, the Project cost was enhanced based on incorrect assessment. In August 2001, it was assessed that the funds might not be fully expended by 31 March 2005, the last date of disbursement, and that there would be a saving of about Rs 37.92 crore. As a result, additional socio-economic activities were incorporated and the Project activities restructured, retaining the Project cost at the original level of Rs 219.30 crore

For utilising anticipated surplus fund the AHADS took up activities on housing, power project, construction of bridge, etc., which were not the sphere of its activities and areas where other departments were active

3.2.37 The main objective of the Project was ecological restoration of degraded wasteland in Attappady and development of replicable models of participatory eco-restoration, and promote livelihood of the local people. The Project consisted of eco-restoration and poverty alleviation, which were the original components. Restructuring of the Project due to availability of surplus funds in the loan component necessitated taking up of social and economic activities also as part of the Project. These activities in any case were within the competence of the respective State Government Departments and therefore inclusion of these activities on the ground of availability of funds was injudicious.

Housing Project

3.2.38 The Total Hamlet Development Programme (THDP), commenced in 2002-03 envisaged construction of 722 new houses and repair of 134 existing dwelling units at an outlay of Rs 11.32 crore. By the end of 2004-05, 48 new houses had been constructed and construction of 272 units was in progress, involving an expenditure of Rs 2.97 crore.

3.2.39 The construction of the above houses were executed with the assistance of 9 NGOs in respect of 14 colonies (cost of houses:Rs.8.32 crore) for the execution of which services of consultants/facilitators were also engaged and by the AHADS through their own engineering wing in respect of 5 colonies (cost of houses : Rs 3 crore). The consultants/facilitators were entitled to receive 2.5 *per cent* of the estimated cost as architectural charges (plan and design) and 5 *per cent* towards supervision. It was observed that the AHADS already had a full-fledged engineering wing which had been competently executing the construction work including the construction of houses.

Thus the appointment of consultants/facilitators was injudicious and had resulted in avoidable payment of Rs 62 lakh* towards their charges.

3.2.40 AHADS was aware, as was evident from the Restructuring Proposals (August 2001) that Integrated Tribal Development Project, Attappady (ITDP) had constructed 2,746 housing units and another 900 units by the local bodies. Work was in progress in respect of 217 units financed by the Block Panchayats. These were the designated agencies to provide dwelling units to the tribals in the area. Thus, there seemed to be no justification for the AHADS to expand its area of operation with borrowed funds, into the housing sector except to utilise the anticipated surplus Project funds.

Hydro Power Project

3.2.41 The deviation from the main objective also included a proposal for two MW hydel project at a cost of Rs 8.13 crore at Karuvari, six kms away from Mukkali, the gateway to the Silent Valley National Reserve Forest. Such schemes were to be undertaken by the State Electricity Board, created for this specific purpose. An amount of Rs 60,000 had been paid (October 2002) as the first instalment of the Project Report preparation to M/s Energy Management Centre, Thiruvananthapuram.

Construction of bridge

3.2.42 It was also observed that the AHADS was funding the construction of a bridge across the river Bhavani at a cost of Rs 3.17 crore, though such works were to be undertaken by the State PWD (Bridges), with budgetary resources. The construction activities to be completed by December 2004 were at a standstill (June 2005) due to encroachment of the land forming the access road though an expenditure of Rs 1.13 crore had been incurred as of March 2005. Government was to fund only to the extent of Rs 1.85 crore towards construction of bridge and the balance funding to the extent of Rs 1.32 crore was to be sourced by the AHADS.

Outlay towards scholarship

3.2.43 The AHADS proposed to provide financial assistance (Rs 18 lakh) to SC/ST students, as scholarship. This was a duty specifically assigned to the Directorate of SC/ST Welfare Department.

Construction of hospital and drinking water infrastructure

3.2.44 The AHADS proposed construction of a 40-bedded hospital at Community Health Centre (CHC), Agali, a dispensary and consulting room at Kavundikkal and two residential buildings for Medical Officers at Mundampara and Pettikkal involving Rs 53.55 lakh. As a super specialty hospital was nearing completion under the Centrally sponsored Attappady Health Project in the area the investment of borrowed funds by the AHADS in the health sector in this manner lacked justification. AHADS paid Rs 0.68

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* Consultancy charges at 7.5 *per cent* on Rs 8.32 crore

lakh as consultancy charges under this item. Requirement of additional para medical staff and doctors have also not been fixed up before commencement of the work.

3.2.45 Similarly, the AHADS made proposals in 2001 for drinking water supply and environmental hygiene and sanitation at a cost of Rs 1.22 crore. The State Government had been implementing the World Bank assisted Kerala Rural Water Supply and Environmental Sanitation Project (Jalanidhi) aimed at the development of sustainable water supply and environmental sanitation system appropriate to rural Kerala. All the three Panchayats of Attappady area had been included in the Jalanidhi Project. Moreover, the Local Self Government Institutions were being provided budgetary support for implementing drinking water supply schemes. An expenditure of Rs 0.84 lakh was incurred on such schemes as of March 2005.

3.2.46 There was no justification for the AHADS to expand its area of operation except to utilise the anticipated surplus project funds into other areas such as housing, power, public works, health, water supply, etc., where the respective Departments of State Government are active.

Internal Audit

There was no effective internal audit system

3.2.47 Since funds for the Project were spent by a large number of associations of beneficiaries who had little knowledge of maintenance of accounts or managerial experience, it was necessary to have an effective Internal Control mechanism supported by competent persons. AHADS did not have an independent Internal Audit Wing. Field audit as well as central scrutiny of the accounts of 282 local action groups (UAs 93, OVSs 160 and JFMC 29) were not undertaken due to shortage of manpower in the UA cell in the AHADS. Only current claims were checked by the UA Cell. The absence of internal audit contributed to the deficiencies in accounts and maintenance of account records of the people's organisations as illustrated below:

Maintenance of Accounts

Maintenance of accounts by UAs/ OVSs was poor

3.2.48 Scrutiny of accounts (March – June 2005) of selected UAs/OVSs revealed deficiencies like payment for work not done, shortage of cash balance[@], lack of entry in cash book, etc. The maintenance of account records was poor and hence loss or misutilisation, etc., of public funds could not be ruled out.

Misappropriation of funds

3.2.49 Misappropriation of funds involving Rs 5.10 lakh was noticed during 2002-03 by the AHADS in five UAs. The fact of misappropriation of public funds was neither reported to the authorities nor action initiated to register cases against the erring officials of the UAs or to recover the amount.

[@] Shortage of cash – Boothivazhy UA – Rs 20,254; Cholakkadu UA- Rs 13,408; Mele Kallumala- Rs 7,605; Nakkupathy UA – Rs 358; Nakkupathy JFMC – Rs 3,525

Conclusions

3.2.50 The Project was conceived without proper study of micro-watershed level needs. The cost estimate of the Project was also unrealistic and did not relate to the actual area of operation. The funds requirement was not reassessed based on the reduction in the area of operation for eco-stabilisation. The availability of excess funds resulted in diversification into areas where other departments of the Government were active. The developmental activities were on in areas where human intervention was prohibited. There was no effective implementation of schemes in two DUs and unjustifiable exclusion of one DU from the Project scope was noticed in audit.

3.2.51 Recommendations

- Optimum utilisation of borrowed funds and better fiscal and debt management should be ensured by giving priority to environmental restoration components, within a specific time frame.
- Clearance from the Government of India is to be obtained for unavoidable activities in the Core Zone of the Biosphere Reserve.
- Activities detrimental to environment in the area may be prevented by the AHADS in consultation with the controlling departments.
- The need for involving the AHADS in activities assigned to other designated State agencies functioning with budgetary support needs to be reviewed.
- An effective Internal Audit Wing may be set up in the organisation.

Response of the Department

3.2.52 The review was discussed with the Principal Secretary to the Government in-charge of AHADS on 9 August 2005. The Project Director and other officers of the AHADS were present during the discussion. The Audit findings and the recommendations were accepted.

3.2.53 These points were referred to the Government in August 2005; reply had not been received (September 2005).

KERALA PUBLIC SERVICE COMMISSION

3.3 Recruitment Application Processing System in Kerala Public Service Commission (REACT)

Highlights

> **Investment of Rs 66.94 lakh on IT assets in Phase II became redundant.**

(Paragraph 3.3.12)

> **Software relating to Phase III of computerisation costing Rs 21.60 lakh was still under development since January 2004 resulting in idling of hardware costing Rs 47.57 lakh.**

(Paragraphs 3.3.8 and 3.3.16)

> **There was a delay of six years in starting Optical Mark Reader valuation due to lack of proper IT strategy.**

(Paragraph 3.3.18)

> **Underutilisation of Optical Mark Reader machines was noticed.**

(Paragraphs 3.3.19 to 3.3.21)

> **The present system of valuation of answer sheets was vulnerable to risk of loss of data and data integrity.**

(Paragraph 3.3.25)

Introduction

3.3.1 The Kerala Public Service Commission (KPSC) is a body constituted under Article 315 of the Constitution of India to conduct examinations for appointment to various services of the State Government and advise the Government on matters relating to methods of recruitment and all disciplinary matters affecting the Government servants, among other things. The Commission also discharges functions relating to services and posts in the Government owned companies, corporations, local bodies and certain co-operative institutions in the State.

Organisational set up

3.3.2 The Commission consisting of a Chairman and 14[*] members has its Head office at Thiruvananthapuram, three Regional Offices[Ω] and 14 District Offices. The administrative functions of the offices of the Commission are under the charge of the Secretary assisted by Additional Secretaries, Joint Secretaries, Deputy Secretaries and other supporting staff.

[*] Number of members increased to 19 in 2005

[Ω] Kollam, Ernakulam and Kozhikode

Introduction of computerisation in KPSC

3.3.3 In order to clear the huge backlog of work, minimise delay in processing of applications and publish rank-list immediately after the examinations, the Commission resorted to computerisation by implementing the Recruitment Application Processing System (REACT) in March 2001.

3.3.4 Though the Commission initiated steps for limited computerisation of recruitment process in February 1993, it was in April 2000, based on the recommendations of the Technical Committee, that CMC Limited was short-listed and a work order was issued (June 2000) to develop application software with system study, beta testing, software implementation, training and source code.

3.3.5 The Software (REACT) was developed in Unix platform using the RDBMS package Oracle, with Visual Basic as its front-end.

3.3.6 While Phase I had two parts, the first part of development of the software covered the pre-examination process at a cost of Rs 1.75 lakh, the second part covered the post examination process (up to generation of rank list) at a cost of Rs 2.50 lakh.

3.3.7 Phase II of computerisation relating to replication of software to facilitate district level processing of applications cost Rs one lakh.

3.3.8 Phase III of computerisation covered automation of the functions of Recruitment, Examination and Advice Sections and networking of Head Office, Regional Offices and District Offices. The software was to be developed by CMC Limited at an estimated cost of Rs 21.60 lakh and the same was under development since January 2004 and as of May 2005, nine modules had been developed and were at testing stage.

3.3.9 The Commission had incurred an expenditure of Rs 5.36 crore as of March 2005 on computerisation (including Rs 2.45 crore on procurement of hardware and software, Rs 0.46 crore on printing Optical Mark Reader (OMR) answer sheets and Rs 2.45 crore on printing application forms).

Audit objectives

3.3.10 IT audit of REACT was conducted to assess the achievement of objectives of computerisation as well as to assess the adequacy of IT controls to ensure confidentiality, integrity and availability of data, programmes and systems.

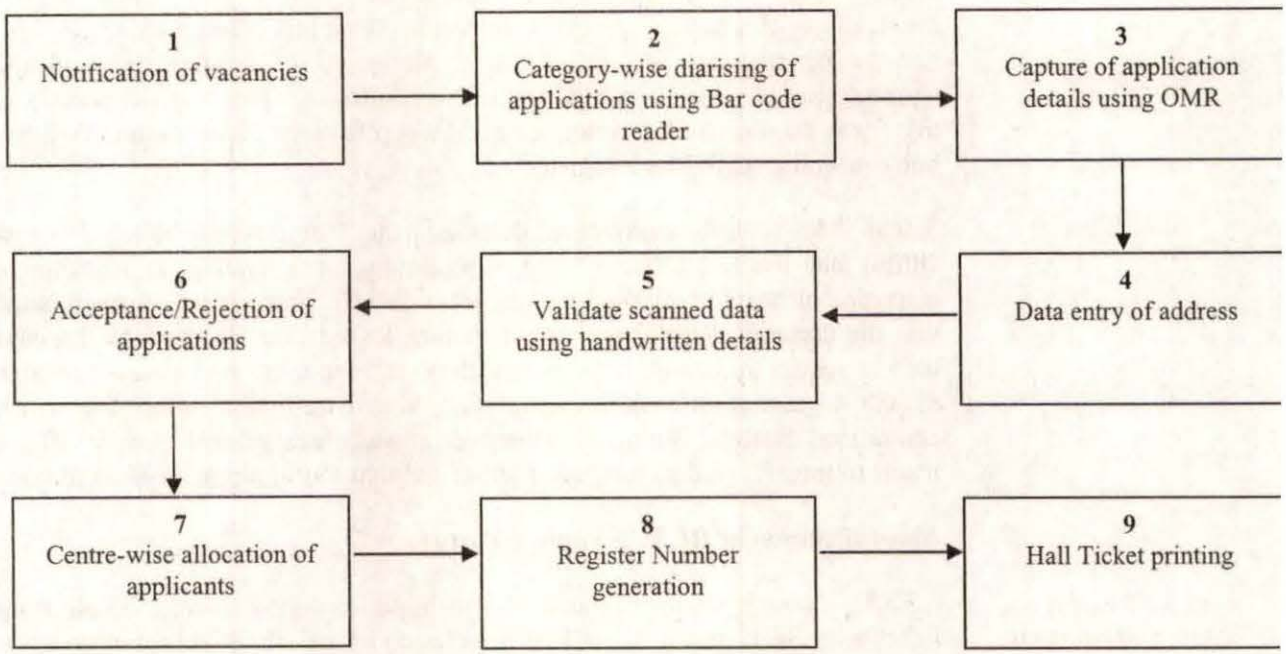
Audit coverage

3.3.11 The IT audit conducted during July-October 2004 covered the Headquarters office, the Regional Office at Kollam and the District offices at Kollam and Thiruvananthapuram for the period from April 2000 to March 2004. As the Commission did not furnish the data relating to application processing for audit scrutiny, citing confidentiality reasons, the data could not be analysed to assess its integrity and accuracy.

System Development

Partial utilisation of REACT Phase I-Part I

3.3.12 The first part of software development covered the pre-examination process as under:



But REACT Phase I Part I was not used, as intended, on the ground that the candidates who were not well versed in OMR application would commit a lot of mistakes and this would lead to rejection of a substantial number of applications during scanning. Instead, the Commission resorted to data entry of applications, which was not justified, for the following reasons:

REACT was developed for application processing through OMR but manual data entry was used

- According to System Requirement Specification and User Manual, the software was developed to capture application particulars through OMR application processing. The data entry module was also provided for entering the particulars pertaining to old pending applications and applications rejected by the OMR machine. However, the Commission went ahead with data entry process of all applications. There was no record as to how many applications were scanned, the percentage of rejection, etc., before deciding that the OMR scanning was not possible.

Manual data entry resulted in additional expenditure towards hardware

- The decision to resort to manual data entry of applications in the second phase of computerisation resulted in unnecessary expenditure of Rs 66.94 lakh towards purchase and installation of hardware and software at District and Regional Offices for data entry under Phase II.

Delay in data entry led to postponement of examination.

- Importantly non-utilisation of the OMR scanner, forcing manual data entry of application data had resulted in the postponement of the examination scheduled in June 2004 by 2 months. Hence, the very objective of computerisation could not be achieved.
- By resorting to District level processing of applications at 17 locations without proper feasibility study, instead of having a centralised database, the Commission was exposing the system to risk for its integrity and security of data as well as scalability.

3.3.13 The Commission stated (September 2005) that when 81,789 applications of a particular post were scanned as a test case about 22 *per cent* had to be rejected due to defective filling up of applications and the Commission felt this as an injustice to the applicants. This was not tenable as there was no record of scanning of 81,789 applications either in the OMR log book or in the AMU stock register.

3.3.14 As regards centralised database, the Commission stated (August 2005) that District Offices were functioning for attending to recruitment activities of posts earmarked for district-wise selections. It was further stated that the centralised database would require leased line facility which would lead to access to data by hackers/outsiders. But the reply was also not tenable as the Commission was contemplating Web-based application for which centralised database is a must. Moreover, it was observed that District Offices resort to transfer of data through internet and that too in non-encrypted format.

Non-utilisation of REACT Phase I-Part II

REACT Part II was not at all put to use

3.3.15 Though answer sheets were being scanned using OMR from February 2001 onwards, REACT Phase I-Part II covering the post-examination process was not at all put to use to generate shortlist of candidates and the rank list. Instead, an application developed in-house was used to generate the short list from the database created by OMR system. The Commission stated (September 2005) that preparation of rank list was the most important and sensitive part of recruitment procedure. This exercise took more time than expected and hence the delay in finalising and putting the programme into use. The delay in using the software after testing and acceptance was not justified as the objective of computerisation was not achieved despite making a large investment.

Delay in development of software (Phase III) by CMC Limited

Idling of hardware costing Rs 47.57 lakh

3.3.16 According to the proposal of CMC Limited (October 2003) which was accepted (January 2004), CMC was to fully develop the software for office automation (Phase III) within 6 months. Though more than a year has elapsed, the development was still at the System Requirement Specification (SRS) stage. As a result, the hardware costing Rs 47.57 lakh procured during March 2004 was idling for more than a year.

3.3.17 The Commission stated (September 2005) that the delay in development of software was due to the change in the scope of the Project by adding more and more modules to the System Requirement Specification (SRS) and the hardware purchased was never kept idle but was utilised for checking and testing of the software. The reply is not acceptable because the scope of the project was to be finalised at the User Requirement Stage. Further, the argument that the hardware was utilised for testing and was never kept idle was not tenable as the hardware was purchased more than a year ahead of the development of software.

OMR Valuation of answer sheets

Delay in procurement of OMR

Delay of six years in procuring and utilising OMR

3.3.18 Based on Government's sanction (August 1995) for the limited computerisation, it was decided to introduce OMR type answer sheets, to conduct various examinations. However, the first OMR procured (1997) could not be used and hence returned (May 1998) to the vendor. Another OMR procured (November 1999) was used to scan OMR answer sheets only from 2001, thus resulting in a delay of 6 years in procuring and using OMR.

The Commission did not have a clear IT strategy

3.3.19 Moreover, the Commission did not utilize the OMR machines for application processing, thus necessitating Phase II at District and Regional offices. Thus, substantial delay in OMR valuation and non-utilisation of the software to scan the applications indicated the lack of a clear IT strategy.

Underutilisation of OMR machines

3.3.20 Out of 1096 posts for which examinations were conducted during 2001-04, OMR answer sheets were used only for 114 posts (10 *per cent*). The Secretary stated (August 2005) that selection to certain posts could not be conducted by objective type examination. It was further stated that the number of posts for which objective type examination was conducted was immaterial as 80 *per cent* of the candidates had appeared for OMR type tests.

3.3.21 While procuring the OMR machines, it was expected that the OMR machines could scan 5000 sheets per hour (i.e. 30,000 sheets a day of 6 hours utilisation). However, a scrutiny of the logbook revealed that OMRs were used to scan only 3000 sheets a day. Between February 2001 and July 2004, only 96 lakh sheets (48 lakh each of Part A and Part B) were scanned and no application form was scanned. The Commission stated (September 2005) that scanning of answer sheets involved different stages and hence it would not be possible to scan 30,000 answer sheets even with twenty-four hours working. The reply is not acceptable as scanning speed of the machine was 5000 answer sheets per hour as per the User Manual and the maximum output per day was computed reckoning the number of working hours as six per day keeping in view the time needed for the different stages. Evidently the failure to scan OMR applications mainly contributed to underutilisation of OMR.

Failure to mitigate risks in OMR scanning of answer sheets

3.3.22 OMR answer sheet is designed in two parts- Registration Number coding sheet (Part A) and Answer sheet Part (B), with common barcode number which can be deciphered only by using a barcode reader. After the examination, these parts are so separated that half the barcode appears in each part.

3.3.23 Valuation of OMR based answer sheet involves five stages-*viz.*,

- valuation of answer sheet Part B using OMR,
- generation of mark range of candidates and onward transmission to the Commission for appropriate decision regarding cut off mark,
- decoding of Register Number part (A) containing identification details of candidates,
- decoding of mark data (correlating Part A and Part B using barcode) and
- printing of marklist.

3.3.24 As per instructions (September 2002) governing the OMR scanning of answer sheets, the answer sheets (Part B) are packed in bundles of 500. After noting the number of each bundle these are to be transferred to Deputy Secretary (Examination) for scanning. After completing the scanning of answer sheets of all candidates, the mark range is generated and submitted to the Commission. The System Analyst is to maintain a Log Register showing bundle-wise scanning of scripts and the sealed floppy/CD containing mark data is to be kept under safe custody. Thereafter, the Register Number i.e Part A is to be scanned, decoded and correlated with the already scanned Part B. The short list is to be generated only after clearance by the Commission. CD/floppy containing the mark data and the identification details is handed over for safe custody to the officer designated.

3.3.25 A scrutiny of the logbook revealed the following deficiencies:

- The sequence of first scanning Part B containing the answers, then providing the marks range to the Commission to decide the cut off marks, and then only scanning Part A containing identifying details of the candidates to generate the shortlist is very vital to maintain confidentiality and to eliminate any kind of tampering. However, instances were noticed in Audit whereby this sequence was not strictly adhered to by the Commission. Audit noticed that in the examination for the post of Manager, Khadi Gramodyoga Bhavan held on 31 October 2001, 12,151 Part B answer sheets were scanned during April 2002. Then in June 2002, 12,377 Part A registration coding sheets were scanned. Later 13 more answer sheets were scanned during December 2002. Reconciliation in audit revealed that there exists a discrepancy between the number of Part A registration coding sheets that was scanned and number of Part B answering sheets that were scanned.

Scanned data susceptible to modification

- Scanned data was susceptible to modification, using Edit facility in dBase, without any audit trail. Moreover, there was no system of file comparison to detect variations in file size and field values.

Absence of prescribed procedure for valuation of answer sheets with duplicate barcode number

- Test check showed that there were 123 corrections in barcode and six corrections in Register Numbers on account of duplication (between February 2000 and November 2001). Any mismatch of Part A and Part B at this stage would result in ineligible persons being selected or eligible persons not getting selected. There was no documentation to show how the Commission ensured that the new barcode number allotted for Part A was the same for the corresponding Part B

- Of the 395079 answer sheets scanned between February and November 2001, 3024 answer sheets were rejected. There was no documented procedures regarding method of valuation of rejected cases and treatment of such cases to ensure uniformity in valuation

Risk of loss of data relating to marks

- At the stages of determining the mark range and short-listing of the candidates, the data was copied to a CD/floppy and the data in the hard disk was deleted later. There was no mechanism to ensure that the data/shortlist was finally deleted from the hard disk. Moreover, keeping backups in easily corruptible media like floppies and fragile media like CDs poses a risk to recovery of data when needed without scanning the answer sheets again.

3.3.26 The Commission stated (September 2005) that there was no risk for the System as there were specific instructions for each and every minute item of work. The reply is silent on controls adopted for reconciliation of number of Part A and B answersheets scanned and to avoid mismatch of barcode numbers in the event of duplication.

General IT Controls

Absence of Business Continuity Plan Controls

Loss of data due to absence of backup policy

3.3.27 As part of business continuity plans, the organisation mirrors the database pertaining to the application forms in REACT into the second hard disk, inside the same system, instead of mirroring it in an off-site location or backing it up in any media for storing it off-site. The adopted procedure was faulty, as was evident from the experience in the District Office, Kollam where both the mirrored copy and hard disk were corrupted, resulting in loss of data during May 2004. Despite this, the organisation was yet to change the existing system of backing up the data.

3.3.28 In response to an audit query (February 2005), the Secretary stated (May 2005) that CD writers had since been installed in District and Regional offices for backup. The reply is not tenable as no off-site backup was contemplated.

Absence of Physical and Logical Access Controls

3.3.29 Effective functioning of server requires that it is kept in a cool, dust free environment, with physical access restrictions. However, it was seen that no such provision exists in District Office, Thiruvananthapuram, where the server containing the application data and the nodes were kept in a hall near the entrance, without any access restrictions. The Commission stated (September 2005) that the execution of civil and electrical works took more time and hence the computers were placed in an open space. Subsequently, they had been relocated to safe and dust free locations.

3.3.30 The organisation did not have a password policy, though logical access controls were provided at application level. The Secretary stated (May 2005) that necessary guidelines had since been given to the staff during training and that access controls were being enforced. A Password Policy was needed for effective control in a system claimed to be of utmost confidentiality by the Commission.

Conclusions

3.3.31 The KPSC lacked a clear IT strategy for implementation of Information Technology in its operations which resulted in spending huge amounts without getting the full intended benefits. The process of scanning on which depend the results and the fate of candidates, is not made completely immune from avoidable human intervention. As per the details furnished (August 2005) by the Secretary, the pendency of application had been brought down from 83.50 lakh (1999-2000) to 37.32 lakh (2003-04). As there was substantial increase in the number of applications disposed of during 2002-03 (35.71 lakh) and 2003-04 (36.52 lakh) due to the OMR processing of answer sheets, it is evident that the pendency can be brought down further through effective utilisation of REACT and scanning of applications in OMR format.

3.3.32 Recommendations

* Incomplete maintenance of log book relating to scanning of answer sheets is a risk area which should be immediately rectified.
* Proper IT strategy may be framed covering organisational aspects and use of IT assets in order to have better monitoring of the IT processes and proper utilisation of automated solution like REACT.
* IT Security Policy including physical and logical access control may be devised, documented and implemented.
* The Commission may evolve an effective backup policy after doing a risk analysis.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4 Diagnostic services in Government Medical Colleges

Introduction

3.4.1 Diagnosis of disease is the foremost issue in patient care. It is scientifically done through clinical and radiology investigation using diagnostic tools such as X-ray machines, CT[♠] scanner, Ultrasound Scanner, EEG[#], ECG[Ψ], Endoscopes, etc. Diagnostic services help doctors in making early and accurate diagnosis of the diseases and charting out the treatment plan.

3.4.2 There are five[∝] Government Medical Colleges (MCs) in the State. The hospitals attached to these MCs are meant for imparting practical training to medical students and also for extending facilities for treatment to patients in various specialities. Patients in need of advanced clinical investigations are referred to the MCs and their attached hospitals. The diagnostic services offered by the MCs and attached hospitals are mainly availed of by poor and lower middle class people. Hence any deficiency in these diagnostic services would result in denial of quality health care services to the weaker sections of the society.

Audit objectives

3.4.3 The objectives of the review were to assess

- Whether adequate funds were provided for diagnostic services based on needs and the funds provided were effectively utilised.
- Whether any system to ascertain the cost of service being provided was in existence and if not how the user charges were being collected.
- Whether all the service laboratories were established as per Indian Medical Council (IMC) Regulations and whether all the labs were functioning ensuring the quality of investigations and bio-safety/radiation safety measures.
- Whether the clinical labs and radiology services were suitably equipped to conduct all essential special investigations, whether equipment were efficiently maintained and whether adequate manpower was provided.

♠ Computerised Tomography
\# Electro Encephalogram
Ψ Electro Cardiogram
∝ Alappuzha, Kottayam, Kozhikode, Thiruvananthapuram and Thrissur

Audit coverage

3.4.4 A review of diagnostic services in three MCs (Thiruvananthapuram, Kozhikode and Alappuzha) was conducted during February – June 2005 covering the period 2002-03 to 2004-05. The clinical lab[*] services under the Departments of Pathology, Microbiology, Biochemistry and Radiology services[ℵ] under the Department of Radio diagnosis were examined in audit. Diagnostic service facilities available in the remaining two MCs (Kottayam and Thrissur) were assessed from replies to Questionnaires issued by audit. Significant audit findings are discussed in the succeeding paragraphs.

Financial management

3.4.5 There was no separate budget provision for diagnostic services in the Medical Colleges. The expenses for the same were being met from the budget provisions for each of the Medical Colleges and hospitals and as such the expenditure incurred for diagnostic services or the salary of staff deployed for the same could not be ascertained in audit.

User Charge

In MCs, Thiruvananthapuram and Kozhikode, there were no system to identify the poor patients eligible for free service

3.4.6 The cost of diagnostic investigations could not be worked out by audit for want of various inputs required for calculating the cost. The rates charged by private agencies were, however, two to three times more than that charged by the Government. The rates of user charges for clinical investigation and radiology services except CT scan in the Government Medical Institutions were last revised in 1994. As per the Government orders, genuinely poor patients up to a maximum of 30 *per cent* of all the patients visiting the Government Medical Institutions would be entitled to free treatment. Government stipulated (March 2002) that the patient should be Below Poverty Line (BPL) or should be having income below Rs 1,500 per month for being eligible for free service. No system was in place in the MC, Thiruvananthapuram and the MC, Kozhikode to identify poor patients eligible for free service. Any patient declaring his income as below Rs 1,500 per month was given free service. Test check of lab records revealed that more than 90 *per cent* of the patients were declaring their income as below Rs 1,500. In the MCH, Alappuzha there was a system for identifying BPL patients by insisting on BPL card or certificate from revenue authorities.

3.4.7 In the absence of a uniform procedure to identify the target group of poor patients, there was no reasonable assurance that the benefits were reaching the intended group.

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[*] **Pathology lab** – Diseases are identified by examination of blood and other body fluids, conducts biopsy test for cancer detection;
Microbiology lab – Microorganisms like bacteria/virus are identified by culturing and drugs determined by sensitivity tests;.
Biochemistry lab- Chemical composition of blood, urine etc., are analysed for glucose, urea, sodium, potassium, etc., to find out the morbidity;

[ℵ] **Radiology service:** Diagnostic tools such as CT Scanner, ultrasound scanner, X-ray machines, etc., are employed for diagnosis.

Quality control

3.4.8 The Department had not developed any standard protocols for investigations and equipment as of July 2005. In the absence of Manual, there was no mechanism to enforce uniformity of procedure or to ensure accountability and quality of services.

Lack of Manual of Procedure and absence of Lab accreditation

The Department had not prepared any Manual of Procedure for regulating clinical/ radiology services

3.4.9 The Department had not prepared any Manual of Procedure for regulating clinical lab/radiology services as of July 2005. Such a Manual covering all aspects of Diagnostic Services such as tests conducted, procedure followed, equipment used, records to be maintained in the lab, report delivery, turn around time, rates for investigation, quality control measures, etc., is a must for efficient running of the service. Lab accreditation is a procedure by which an authoritative body gives formal recognition of technical competence for specific tests/measurements based on third party assessment and following international standards. Government of India has authorised the National Accreditation Board for testing and calibration labs (NABL) as the sole accreditation body for testing and calibration of labs. NABL provides lab accreditation services to labs that are performing test/calibration in accordance with ISO/IEC 17025: 1999. None of the clinical labs in the MCs in the State had made any attempt to get accreditation of NABL. The Department stated (July 2005) that accreditation of labs with NABL could not be thought of as the clinical labs were not fully equipped to conduct all the essential/special investigations and for want of requisite quality of investigation.

None of the clinical labs in the MCs in the State had made attempt to get accreditation by NABL

3.4.10 Internal audit and management review are essential pre-requisite for applying for accreditation of labs by NABL. There was no system in the MCs to subject all the labs to periodic internal audit to assess the adequacy, efficiency and effectiveness of the diagnostic services and to identify areas requiring improvement.

Lack of Bio-safety/Radio-safety measures

Bio-safety

3.4.11 There was no Bio-safety cabinet in Microbiology Departments in the MCs, Alappuzha and Kozhikode. The Bio-safety cabinet in the MC, Thiruvananthapuram was not put to use for want of gas connection. In the absence of Bio-safety cabinet, the technicians and other staff working in the lab ran the risk of exposure to highly infectious organisms.

Radiation safety

Requirement of Bio-safety/Radiation safety had not been fully met in the test checked MCs

3.4.12 Radiology services use radiation producing imaging tools like X-Ray machines and CT Scanner for diagnosis. Radiation, having a cell damaging effect with potential genetic consequences, has to be used with absolute discretion. In order to minimise radiation hazards, mandatory regulations are enforced through regulatory bodies set up at National/State level. The Directorate of Radiation Safety (DRS), the State level regulatory agency set up by the Government under the Department of Health and Family Welfare to oversee the use of X-Rays and other radiation producing equipment reported that basic requirements of radiation safety had not been implemented in SAT Hospital under the MC, Thiruvananthapuram. The requirements of radiation safety had been only partially met in the MC, Alappuzha and the MC, Kottayam. The staff of Radiology Department were to be provided with personal badges to be worn by them for monitoring the dose of radiation received by them and for taking precautionary measures. It was observed in audit that these badges were issued to the staff of Radiology service of the MC, Thiruvananthapuram only from February 2005 onwards.

Quality assurance in Radiology service

3.4.13 There was no system in vogue in any of the test checked MCs to subject the X-Ray and CT installations to quality assurance tests by the Director of Radiation Safety (DRS) at least once in a year/after every major repair so as to ensure proper/safe working of the imaging system in accordance with Atomic Energy Regulatory Guidelines. It was reported by the DRS that no major attempts were made to do quality assurance tests in the MCs. The Department of Radiodiagnosis in the MCs, Thiruvananthapuram, Alappuzha and Kozhikode were not provided with quality control kits and Radiation Survey Meter for undertaking quality control measures. In the absence of these, the quality of radiology service could not be ensured.

Service Delivery Management

Deficiencies in infrastructure facilities

3.4.14 Every MC requires adequate lab infrastructural facilities for providing quality health care. Audit noticed the following deficiencies in the infrastructure relating to clinical lab services and radiology services.

Lack of essential/modern equipment

Several modern automated equipment yielding faster and accurate results were not available in the MCs

3.4.15 IMC Regulations stipulate that an MC should have a well equipped and updated clinical lab. Use of modern automated equipment would yield faster and accurate results with less manpower and could cater to more patients. It was noticed in audit that several modern equipment like automatic blood cell counter, automated culture system, auto-analyser, mammography unit, etc., were not available in the MCs, the details of which are given in **Appendix XXIV.**

Idling equipment

3.4.16 Most of the modern equipment require dust free/air conditioned environment for the proper functioning/optimum performance. However, the labs in none of the MCs have such facility. In the Microbiology Department of the MC, Thiruvananthapuram, 'Microscopes fluorescent and dark ground' for identification of fluorescent stained bacteria and virus was not working as no dust-free/AC room was available. In the Biochemistry Department of the MC, Thiruvananthapuram equipment for conducting Polymerase Chain Reaction for DNA testing was also idling due to non-electrification of equipment room. Test check by audit revealed that some of the costly equipment became defective and were not functioning for several years as detailed in **Appendix XXV.**

3.4.17 No effective action was taken to get the equipment repaired. As log book for equipment were not maintained, full information regarding their value, date of purchase, actual date from which idling, action taken for repair, details of Annual Maintenance Contract (AMC), if any taken, etc., were not available. When these lapses were pointed out in audit, the Department stated that due to delay in payment of bills, major companies producing quality equipment were not responding to tenders/quotation for supplies and acceptance of lowest tender as stipulated in the Store Purchase Rules often compromised on the quality of machine being purchased.

3.4.18 Special X-ray investigations like Barium meal test were not conducted in MC, Alappuzha due to shortage of X-ray machines. Only two out of four machines were in working condition and the one machine in use was installed in 1986. For special X-ray investigation, there was a waiting period of over one month in MC, Kozhikode.

Three equipment (cost: Rs 18.57 lakh) went out of order

3.4.19 Three equipment *viz.,* Automatic Blood Cell Counter (cost: Rs 4.57 lakh), ABG analyser (cost : Rs 5 lakh) and Auto-analyser RA.100 (cost : Rs 9 lakh) procured in the MC, Alappuzha went out of order during the guarantee period. No action was taken against the suppliers.

X-ray machines in the three MCs were not having AMC

3.4.20 Annual Maintenance Contract (AMC) is absolutely essential for proper maintenance and upkeep of equipment at reasonable cost and for getting uninterrupted service. It was observed that all the X-ray machines in the MC, Alappuzha, two machines each in the MC Thiruvananthapuram and Kozhikode were not having AMC. The Head of Radio Diagnosis Department, MC Thiruvananthapuram stated (March 2005) that lack of AMC and delay in payment to companies often caused problems in getting machines repaired in time.

Clinical lab services

Lack of Centralised clinical lab/separate service labs

Several labs under each department were functioning at various locations in the Colleges/ Hospitals

3.4.21 As per IMC stipulations, a MC should have a well equipped and updated Centralised lab with common collection centre. None of the colleges had a Centralised lab. It was found that labs under various departments were functioning at different locations in the colleges/hospitals. In the case of the MC, Alappuzha, the MCH was 10 km away from the College resulting in scattered lab facilities. Neither a Centralised lab was provided nor proper location chart of the various labs available in the college/hospital campus was displayed. Proposals sent in September 2004/February 2005 for establishing Centralised labs in the MC, Kottayam (Rs 6.50 crore) and the MC, Thiruvananthapuram (Rs 5.00 crore) respectively were pending sanction with the Government.

Separate service labs have not been established under Microbiology Department of two MCs

3.4.22 As per IMC stipulations, MCs should have separate service labs for Virology, Parasitology and Immunology under Microbiology Department. These labs had not been established in the MCs, Thiruvananthapuram and Alappuzha (July 2005). In the absence of these labs, specialised investigations under these disciplines were not being conducted.

Lack of space for service labs

3.4.23 According to IMC Regulations each service lab should have an area of 25 square metres. However, it was found that three service labs, *viz,.* Histopathology, Cytopathology and Haematology of the Pathology Department of the MC Alappuzha did not have the required area and were accommodated in a single room in the hospital.

3.4.24 Special investigations are sometimes necessary for proper diagnosis of disease and starting treatment. Details of some essential/special investigations not conducted in clinical labs in the MCs are given in **Appendix XXVI**.

3.4.25 Though the equipment for conducting PCR[⊕] test was purchased (January 2005) in the Biochemistry Department of the MC, Thiruvananthapuram, it was not put to use due to non-electrification of equipment room. Blood Gas Analysis was not conducted in Biochemistry Department of the MC, Thiruvananthapuram as the equipment went out of order (August 2004) and not got repaired as of August 2005.

Radiological services

3.4.26 Radiology uses radiations and sound waves to create images to show how effectively the body and its internal organs and structures are functioning. Diagnostic radiology uses external radiation to produce the images for medical diagnostic purposes. Diagnostic radiology techniques include use of X-rays, Computerised Tomography (CT) scan devices, Ultrasonographic devices, Magnetic Resonance Imaging (MRI) scanner devices and radio frequency electromagnetic radiation and are generally non-invasive. The following deficiencies were noticed in delivery of these services.

Computerised Tomography Scan Service

3.4.27 CT scan service was not available in the MCs, Alappuzha and Kottayam. In the MCH, Alappuzha patients were utilising the CT scan service available with the Alappuzha District Cancer Care Society where the rates were higher. In the MC, Kozhikode there was a waiting period of two weeks for non-emergency scanning. In the MC, Thrissur, the CT scanner was not functioning from February 2004. Though the scanner generated an annual income of Rs 26 lakh, sanction for its repair at an estimated cost of Rs 24 lakh had not been issued (July 2005). In the MC, Thiruvananthapuram only one CT

[⊕] Polymerase Chain Reaction test for early detection of HIV, TB, etc.

scanner was available. Out of about 100 cases requiring CT scanning a day, nearly 70 approached the Department and only 40 cases were attended.

Manpower

3.4.28 The present strength of technical staff of the labs and radiology services was sanctioned more than 20 years back. Several[∝] posts of teachers/technical staff were lying vacant. As the quantum of work load had not been fixed for the technical staff, no need based assessment of manpower requirement was made, taking into consideration the yearly increase in the number of patients. In the MC Kozhikode, IMC did not give recognition for PG courses (MD and DMRD) in Radiodiagnosis for want of staff as stipulated in the Regulations.

Conclusions

3.4.29 The diagnostic facilities in the Government MCs were found to be deficient mainly due to lack of modern equipment, defective equipment, shortage of manpower, absence of quality control measures, etc. Collection of user charge from those capable of paying was not effective due to absence of proper system for identifying such persons. No revision of rates had been made since 1994.

3.4.30 ***Recommendations***

- Funds actually required for running diagnostic services in the MCs may be assessed and provided by the Government under distinct sub heads in the budget for proper monitoring and control.
- Manual of Procedures for regulating clinical labs/radiology services may be prepared and adequate quality control measures put in place in association with accredited labs.
- Rates of user charges fixed 11 years back need revision. An effective system may be evolved to recover user charges from those who could afford to pay.

Response of Government

3.4.31 The report was discussed with the Secretary to Government, Health and Family Welfare Department on 3 August 2005. The Secretary admitted that deficiencies existed in the diagnostic services as pointed out by audit. He agreed to implement the recommendations to the extent possible.

3.4.32 These points were referred to the Government in August 2005; reply has not been received (September 2005).

[∝] Doctors : 14, Technicians : 10, Scientific Officers : 3 and Lab Assistants : 13

CHAPTER IV

AUDIT OF TRANSACTIONS

CHAPTER IV
AUDIT OF TRANSACTIONS

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

4.1 Overpayment/infructuous expenditure

AGRICULTURE DEPARTMENT

4.1.1 Infructuous expenditure due to abandonment of a project

Failure on the part of the Government/University to ensure availability of funds led to the abandonment of the project midway rendering the expenditure of Rs 86.41 lakh on civil works infructuous.

The State Government accorded sanction (November 1997) to the Kerala Agricultural University (University) for establishing a new College of Dairy Science and Technology at Vagamon in Idukki District. A sub-committee constituted by the University identified (July 1999) 87 hectares of land with infrastructure facilities available at the Base Farm (farm) of the Kerala Livestock Development Board (Board) at Kolahalamedu for the establishment of the College. Government ordered (March 2000) the transfer of the farm with labourers and 84 hectares of land to the University as the same was not required any more for the activities of the Board.

Accordingly a Memorandum of Understanding was signed (August 2000) between the University and the Board for the transfer of the farm with 42 farm labourers and the University paid Rs 1.50 crore towards the first instalment of total compensation of Rs 3.41 crore. Though construction of academic block, staff quarters, hostels, etc., was taken up immediately for establishment of the College, the works were at a standstill since March 2002. The expenditure incurred was Rs 86.41 lakh as of March 2002.

In a meeting (August 2002) taken by Minister for Agriculture, it was decided not to make any further investments on the project due to paucity of funds. It was further decided in a meeting convened (February 2003) by the Minister for Agriculture to return the land to the Board subject to the condition that Rs 1.50 crore paid to the Board as compensation would be returned and the cost of construction works would be reimbursed to the University. Though the Board repaid the amount of Rs 1.50 crore to the University in March 2003 based on the orders of the Government, no action had been taken to return the land. The Board stated (November 2004) that the partially constructed structures would not be of any use to them. The farm along with the labourers continued to be maintained by the University and the expenditure for running the farm (as of January 2005) amounted to Rs 2.13 crore.

Thus, lack of foresight on the part of the Government/University and their failure to ensure availability of funds led to the abandonment of the project mid-way rendering the expenditure of Rs 86.41 lakh incurred on civil works infructuous.

Government stated (August 2005) that the abandonment of the project was due to financial stringency. But the reply was silent as to how the unfinished structures on which Rs 86.41 lakh had been spent would be utilised.

FINANCE DEPARTMENT

4.1.2 Overpayment of pension and family pension

Improper maintenance of accounts and ineffective control mechanism in the Public Sector Banks led to overpayment of Rs 44.88 lakh.

The scheme for payment of pension to the Kerala State Pensioners through the Public Sector Banks (PSBs) was introduced from 1 December 1984. The PSBs were required to maintain pension payment accounts properly showing the relevant information such as Pension Payment Order number, amount commuted, residual pension payable, period up to which enhanced family pension was payable, updating of family pension while revising the pensionary claims, etc.

Scrutiny of records during November 2003 and April 2005 relating to payment of pension and family pension through 60 paying branches of six PSBs[θ] in eight[♣] districts revealed improper maintenance of pension payment accounts, resulting in overpayment of pension and family pension aggregating Rs 44.88 lakh between 1999 and 2004 as detailed below.

- According to the Kerala Service Liberalised Family Pension Scheme, enhanced family pension equivalent to 50 *per cent* of the basic pay last drawn subject to a maximum of twice the family pension was admissible for a period of seven years from the date of death or till the date on which the employee would have reached the age of 62 years whichever period is shorter, and at ordinary rates thereafter. PSBs were required to maintain a register to watch the payment of enhanced family pension for the relevant period. It was, however, seen that the Register of Payment of Pension, Index register, Disburser's portion of the Pension Payment Orders and Payment scrolls were not maintained properly in the banks. Details of relevant entries such as basic pension, period up to which enhanced family pension was payable, reduced pension after commutation, etc., were not recorded in the Register of Payment of pension by the banks and this resulted in overpayment of Rs 41.10 lakh in 82 cases.

θ State Bank of Travancore : 43, State Bank of India : 2, Canara Bank : 1, Syndicate Bank : 9, Union Bank of India : 2, Indian Overseas Bank : 3

♣ Kannur, Kozhikode, Malappuram, Palakkad, Thrissur, Pathanamthitta, Kollam and Thiruvananthapuram

- Consequent on revision of pay scales of the Government employees with effect from 1 March 1997, pension and family pension was revised by consolidating the existing pension and family pension, dearness relief, interim relief and fitment benefit. It was noticed that the amounts of dearness relief, interim relief and fitment benefit were not reckoned correctly and revision of pension and family pension was made wrongly in 18 cases resulting in excess payment of Rs 2.75 lakh.

- According to the Kerala Service (Pension) Rules, if a pensioner commuted a part of his pension, the amount of pension should be reduced to that extent. Scrutiny revealed that the date of commutation of pension was not recorded in the Register of Payment of pension and in six cases commuted portion of pension was not reduced from the original pension, resulting in excess payment of pension of Rs 1.03 lakh.

Thus, failure of the system to maintain pension payment accounts properly in the PSBs led to overpayment of Rs 44.88 lakh; the PSB commenced recoveries on this being pointed out in audit.

Government stated (August 2005) that the matter was taken up with the PSBs concerned for necessary action.

4.2 Violation of contractual obligations/undue favour to contractors

PUBLIC WORKS DEPARTMENT

4.2.1 Kerala State Transport Project

Introduction

Government of Kerala launched (June 2002) the 'Kerala State Transport Project' (Project) as a policy for comprehensive development of State Highways and Waterways. The Project was financially aided by the World Bank, in the form of loan, to the extent of 76 *per cent* of the Project cost. The Project envisaged (a) upgradation of State Highways for a length of 600 km in two phases; (b) larger works of maintenance of Highways for a length of 1,000 km in three phases; and (c) improvement of navigable waterway for 100 km. Apart from this, road safety and institutional strengthening of State Public Works and Water Resources Departments were also included as components of the Project. Implementation of the Project, taken up in June 2002, was in progress under the supervision of a Project Management Team (PMT), headed by the Secretary to Government, Public Works Department. Two Circle Level Offices[#] and four Divisional Offices[@] also functioned to oversee the Project activities.

[#] Kottarakkara, Muvattupuzha

[@] Kanjirappally, Kuttipuram, Kannur, Kottayam

Mention was made in the Reports of the Comptroller and Auditor General of India (Civil) (Paragraph 4.1.6 (iii) for the year ended 31 March 2002 and in Paragraphs 4.3.3 and 4.4.6 for the year ended 31 March 2004) about irregularities in the implementation of the Project. A further test check conducted during August 2004 to December 2004 of the records pertaining to the period 1April 2002 to 30 November 2004 relating to the implementation of the Project revealed the following.

Lapses/defects in the contracts

Provision for payment of cost escalation and consequent loss

In contravention of World Bank guidelines, the PMT made provision for payment of cost escalation, leading to avoidable expenditure of Rs 2.74 crore.

The guidelines formulated by the World Bank for procuring loans and credits by the Government agencies enjoined, among other matters, that price adjustment clause was not necessary in contracts having currency up to 18 months. Disregarding these guidelines, the PMT included provision for price adjustment in 13 contract packages finalised (between March and July 2002) for maintenance of roads under Phase-I, the contractual period of which were between 12 and 15 months. The extent of payment made to contract agencies towards cost escalation in respect of these contracts was Rs 2.74 crore. The PMT, while concurring with the audit point that price adjustment clause need not have been included in these contracts, held that only bitumen and petrol, oil and lubricant were brought within the purview of price adjustment with the intention of obtaining attractive and competitive offers. This argument is hypothetical and therefore, not maintainable. Inclusion of provision for price adjustment clause in contravention of the World Bank guidelines in these contracts led to avoidable expenditure of Rs 2.74 crore.

Engaging of consultants

Avoidable expenditure due to awarding contract at higher rate

The Project also provided engaging the services of a consultant with sufficient experience to assist implementation of the component Institutional Strengthening and Action Plan[\$]. For this purpose, the PMT invited bids in May 2002. Out of the 29 firms which responded (May 2002), six firms were short listed (June 2002) applying the yardsticks prescribed by the World Bank. The Chief Executive, (PMT), the Chief Engineer (Roads and Bridges) and the Superintending Engineer (Project) conducted technical evaluation of bids individually. According to the guidelines laid down by the lending agency, the final ranking should be on the basis of the total of 75 *per cent* of score obtained on technical evaluation and 25 *per cent* of score awarded on financial evaluation. The final score position of the three front runner firms was as shown below and the PMT awarded the contract to the firm SMEC International (Australia).

[\$] Improving the capabilities of Public Works and Water Resources Department in infrastructure development, transport maintenance and management.

Name of firm	Financial price offered Rupees	Score awarded Financial (points)	Technical (points)	Total score 75 *per cent* of (iv) plus 25 *per cent* of (iii) (points)	Rank
(i)	(ii)	(iii)	(iv)	(v)	(vi)
SMEC International, Australia (A)	8,67,86,644	59.33	94.17	85.46	I
SPAN-DRD JV, India (B)	5,14,91,530	100	77.99	83.49	II
Scott Wilson Kirk Patrick, UK (C)	9,27,63,064	55.51	75.60	70.58	III

A firm, which scored well in financial evaluation, was overlooked while finalising contract

Thus, despite having scored 100 points on financial evaluation, Firm 'B' could not come out successful in the final run, as it missed 1.97 points on final evaluation. Analysis of records relating to evaluation of bids confirmed that the evaluators were not objective in determining the acceptability of various parameters and that they did not pay due weightage to the actual requirements of local conditions for the institutional strengthening of the departments. While certifying the academic qualifications of the key personnel projected by Firm B as 'good', they were judged as possessing lesser international experience, which, in as much as the demands of State departments are concerned, may not necessarily be a fair criterion for technical evaluation. The selection of 'A' which enjoyed only a thin lead of 1.97 points in the final ranking, however, left a monetary burden of Rs 3.53 crore on the project cost. As Firm B was short listed only after ensuring that technical parameters contained in their offer were within the benchmark fixed, the noticeable mismatch between the financial offers of 'A' and 'B' ought to have been taken up with the lending agency before identifying the successful bidder. Commensurate benefit from increased outgo was not discernable as basis of award of points on technical parameter did not consider objective criterion relevant to conditions of work and were not devolved on granular level. As all the bidders were found to be technically acceptable, KSTP could not derive benefit commensurate to the extra liability of Rs 3.53 crore.

Avoidable expenditure due to premature conclusion of contract

Non-synchronisation of contracts for civil works and consultancy services resulted in loss of Rs 2.32 crore

The Project Plan envisaged employment of the services of a consultant to supervise works relating to upgradation of State Highways. In December 2003, the PMT awarded the consultancy contract relating to upgradation works under Phase II to an international firm for a contract price of Rs 15.75 crore. The contractual period of the consultancy contract was 36 months. The contractual responsibilities of the consultant firm were (a) to achieve high quality in construction; (b) to ensure that works were carried out in full compliance with the engineering design/technical specification; and (c) to ensure timely completion of works. These contractual obligations would indicate that the activities of the consultant were to go hand-in-hand with the upgradation works. The contract for upgradation had not, however, been awarded as of December 2004. Even before finalising the contracts for upgradation works under Phase II, the consultancy contract was awarded and they were paid an aggregate amount of Rs 2.32 crore between May and November 2004 towards reimbursement of remuneration paid to key personnel and expenditure on other purposes. Thus, due to non-synchronisation of finalisation of contracts for upgradation works and for consultancy services, payment of Rs 2.32 crore made to the consultant did not serve any intended purpose. The PMT clarified (September 2004) that services of the firm were utilised for certain critical pre-contract activities, such as, project preparations, review of project documentation and design, assisting in preparation of bid documents, etc. The Project, however, did not contemplate employment of consultant for these pre-contract programmes and the services stated to have been rendered by the consultant firm were outside the ambit of contractual responsibilities specified in the agreement. Due to advance positioning of the consultants even before awarding the contract of construction, the possibility of extension of time beyond the stipulated 36 months for the consultants exists, which would lead to extra payment to them.

Extra financial commitment on account of extension of contractual period

PMT extended the currency of the contracts for construction supervision consultancy leading to extra liability of Rs 26 lakh.

The PMT concluded two contracts (May 2002 and June 2002) for the 'construction supervision consultancy and technical audit' of works under the Road Maintenance Component of the Project. The aggregate contract outlay was Rs 1.80 crore and the construction supervision was for one year from the date of execution of agreement. The road maintenance works, arranged under different contract packages were scheduled for completion between April and July 2003. The civil contractors, did not, however, complete the works within the period specified in the agreements. The Steering Committee monitoring the project implementation, therefore, resolved (February 2004) to extend the period of contracts for construction supervision consultancy and technical audit till December 2003 in one case and till February 2004 in the other case. According to the Steering Committee, the civil contractors failed to complete the maintenance works for a variety of reasons, such as, heavy monsoon, substitution of items of work with new ones, lacklustre performance of contractors, etc. Audit scrutiny further showed that one of the contractor firms for construction supervision consultancy appointed its 'Team Leader' only after four months from the date of awarding the contract, whereas, in the second contract the 'Team Leader' appointed by the contractor firm was found to be not capable of delivering the goods.

The obligations of contractors for construction supervision consultancy envisaged in respective contracts were, among other things, (i) ensuring timely commencement of civil works; (ii) monitoring financial and physical progress of works; and (iii) ensuring timely completion of works without diluting quality standards. Failure of contract agencies to fulfill these requirements led to delay in completion of the work resulting in extra financial commitment of Rs 26 lakh to the Government.

Arrangement of works

Appropriation of borrowed funds for the improvement of National Highways

The State Government launched the Project with the overall objective of comprehensive improvement of the State Highways. In November 2002, the PMT entered into a contract with a firm for the upgradation of the State Highways for a total length of 127.192 km for a contracted price of Rs 215.50 crore. Scrutiny revealed that a portion of the road proposed to be upgraded

PMT made provision for appropriating Rs 75.28 crore for the improvement of a portion forming part of the National Highway

under the contract (length 44.43 km♠) had been notified as National Highway by the Government of India in October 2000 and that the State Government had transferred the ownership of road to the Government of India in December 2002. As the upkeep and maintenance of the National Highways are the responsibilities of the Government of India, the State Government should not have awarded the work to the contractor and the appropriation of Rs 75.28 crore (approximately) from borrowed funds constituted an injudicious charge on the Project.

Exorbitant rate for an item of work

Rate approved for a varied item was far in excess of that approved for identical items in other contracts.

The PMT arranged the upgradation of the State Highways for a length of 78.380 km♣ in November 2002, through a firm for a contract price of Rs 140.50 crore. As there was no provision in the contract for filling pot holes and for patch works to the existing road surface, these works were arranged as supplementary/varied items. According to the 'variation order' the rate approved for filling pot holes and patching of existing surface (quantity 66,450 sq.metre) was Rs 301 per sq.metre. Scrutiny revealed that, in the case of three other road maintenance contracts, the rate admitted for doing these works was between Rs 180 and Rs 203 per sq.metre. Assuming the rate admissible as Rs 203 per sq.metre, the excess allowed on this varied item resulted in extra commitment of Rs 65 lakh.

Mobilisation advance

Undue advantage to contractors due to postponement of recovery of advance

Making the contract condition relating to recovery of mobilisation advance flexible subsequently, resulted in contractors deriving the benefit of interest on money retained

Conditions of contracts relating to upgradation of the State Highways guaranteed payment of interest free advance to contract agencies subject to a maximum amount equivalent to 15 *per cent* of contract price. Conditions also stipulated that recovery of mobilisation advance should commence after certification of 30 *per cent* of contract price or nine months after payment of first instalment of advance, whichever period concludes earlier. The contracts in question did not, however, provide for recovery of interest on belated adjustment of advances. Between December 2002 and May 2003, the PMT paid an aggregate amount of Rs 40.61 crore as mobilisation advance to three contractor firms to which contracts for upgradation of the State Highways for a length of 254.74 km had been awarded in November 2002. The PMT concluded the contract agreement before ensuring availability of encumbrance free land and removing the utilities from the alignment of the road. There was also delay in obtaining clearance from respective authorities for quarries and installation of equipment required for the work. As a consequence of these, the contract agencies failed to achieve prescribed milestones in execution, resulting in non-recovery of mobilisation advance at appropriate time. Therefore, on the basis of the recommendations of the PMT, the Steering Committee, monitoring the Project implementation resolved (February 2004) to amend the contract condition, making it obligatory to commence recovery of mobilisation advance only after completion of 30 *per cent* of the work.

♠ Chainage km 72.400 to Chainage km 116.830 – Portion from Kottarakkara to Chengannur
♣ Palakkad-Shoranur (km 0/000 to km 45+300) and Thrissur-Kuttipuram (km 19+600-km 52+680)

This decision, evidently, helped the contractors to retain the amount without paying interest for a very long duration. Thus, the recovery of mobilisation advance of Rs 40.61 crore, due to commence on various dates between September and December 2003, was pending as of August 2004. Assuming the interest rate as 10 *per cent* per annum, the contractors' derived unintended benefit to the tune of Rs 3.33 crore by way of interest on funds not repaid to the Government.

The PMT maintained (September 2004) that postponement of recovery of mobilisation advance was done in the best interests of the Project and that it will explore the possibilities of imposing interest, in future, on advances not recovered within the specified time frame.

Liquidated damages

Non-recovery of liquidated damages

Rs 4.76 crore was pending realisation towards liquidated damages.

Provisions made in 13 contract packages arranged for road maintenance demanded levy of liquidated damages at specified rates in case of failure of contract agencies to complete the works on dates specified in the agreements. On account of the delay in completing the works in time the liability fixed on eleven contractors towards liquidated damages was Rs 5.93 crore. The amount recovered from these contractors as of August 2005 was only Rs 1.17 crore leaving Rs 4.76 crore still to be recovered.

These points were referred to the Government in July 2005; reply had not been received (September 2005).

PUBLIC WORKS/WATER RESOURCES DEPARTMENT

4.2.2 Payment beyond the scope of agreement

Post-contractual changes contrary to the provisions in the agreements entailed extra financial burden of Rs 1.37 crore on the Government.

Conditions of the Notice Inviting Tenders (NIT) for works stipulate that contractors participating in bids should acquaint themselves with the facilities available at site against corresponding provisions in the estimates concerned before quoting their rates and that they are not entitled to any post-contractual provision or revision of rates on that account. Scrutiny of the records of the following two works awarded by the Public Works and the Water Resources Departments revealed non-observance of the conditions of the NIT which led to extra expenditure of Rs 1.37 crore, of which Rs 0.75 crore had been paid.

PUBLIC WORKS DEPARTMENT

Construction of Panampuzhakadavu bridge across Kadalundy river in Malappuram District

The Superintending Engineer, Roads and Bridges, North Circle, Kozhikode awarded (September 2000) the construction of Panampuzhakadavu bridge across Kadalundy river in Malappuram District to a contractor for a contract price of Rs 3.84 crore (involving a tender rebate of 13.88 *per cent*). The contractor completed the construction in November 2004. Scrutiny of the accounts of work revealed (May 2003) that the contract contemplated 'cast-in-situ' piles for the foundation of bridge (2,370 metre). In order to protect the boreholes made for pile casting and to facilitate proper concreting, provision for an outer casing (680 metre) with circular lining using MS sheets was provided in the contract (Rs 4,718 per metre). The Executive Engineer, Roads Division, Manjeri proposed (May 2001) execution of additional 984.97 metre (145 *per cent* increase over the original proposal) on the ground that due to the peculiar nature of soil, sides of the boreholes showed a tendency to crumble demanding extension of the circular lining to more depth, which was sanctioned by the Chief Engineer (May 2001). The extra expenditure due to this change worked out to Rs 40.02 lakh. Providing casing pipe to the borehole was an added facility for casting piles at site and the contractor offered tender rebate for the work as he was convinced, among other things, that the provision of 680 metre for casing in the estimate was adequate. As such, there was no justification for providing for casing for additional depth entailing extra liability to the Government.

WATER RESOURCES DEPARTMENT

Construction of Moolathara Right Bank Canal forming part of the Kuriyarkutty-Karappara Irrigation Project

The Superintending Engineer (SE), Siruvani Project Circle, Palakkad concluded (April 2002) seven contracts for the Construction of 'Moolathara Right Bank Canal' forming part of the 'Kuriyarkutty-Karappara Irrigation Project' at a contract outlay of Rs 4.88 crore. In January 2003, the contractors pointed out that the quantities of excavation and of filling required re-examination as the contract did not envisage construction of 'berms' to provide working space. Based on the recommendation of the Executive Engineer, Kuriyarkutty-Karappara Irrigation Project, the SE approved (January and February 2003) extra quantities for excavation and filling, which entailed estimated extra liability of Rs 96.50 lakh, of which Rs 75 lakh had already been paid (June 2005). Since the contractors had quoted their rates taking into account the limitation of working space, there was no necessity to provide the same at Government expense.

In both the works, the contractors had offered tender rebate for the work as they were convinced, among other things, that the provisions made in the estimates were adequate. As such there was no justification for allowing the post-contractual changes.

These cases were referred to the Government in May 2005; reply had not been received (September 2005).

4.3 Avoidable/Extra/Unfruitful expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.1 Avoidable expenditure towards surcharge due to belated payment of water charges

Delay in payment of water charges in Medical College, Kozhikode led to avoidable payment of Rs 14.75 crore towards surcharge and liability of Rs 5.79 crore on this account.

According to the provisions in the schedule of revised tariff effective from 1 March 1999, the bills for consumption of water charges are required to be paid in full within the due date and in case of failure two *per cent* surcharge is leviable per month for the period of default.

Scrutiny of records of the Medical College, Kozhikode revealed (July 2004) that the arrears of water charges to be paid to the Kerala Water Authority (KWA) as on 31 March 1999 were Rs 2.32 crore♣

After examining a similar instance of payment of penal interest on electricity charges included as Paragraph 3.6 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 (Civil), the Public Accounts Committee in its Ninety-first Report (December 2000) recommended that sufficient funds should be provided to the hospitals for making payments in respect of energy and water charges in time. However, it was noticed in audit that the Government had not provided adequate funds for payment of these charges resulting in accumulation of arrears payable. As of January 2005, the total outstanding amount was Rs 29.07 crore which included Rs 18.33 crore as surcharge on account of non-timely payment of water charges. Out of this, Rs 14.75 crore were paid (Rs 35 lakh in February 2005, Rs 14 crore in March 2005 and Rs 40 lakh in May 2005) towards partial settlement of the bills. Resultantly Rs 17.31 crore was outstanding as of July 2005 which included a sum of Rs 5.79 crore towards surcharge on account of non-timely payment since the partial payment were adjusted against outstanding surcharge.

Though request for funds were made by the Principal, Medical College, Kozhikode, the Government did not provide adequate funds for clearing the arrears and consequently the monthly penalty varying between Rs 4.60 lakh and Rs 56.70 lakh, had to be borne by the Medical College.

It was also noticed in Audit that the charges for water consumed by other institutions functioning in the Medical College campus such as the Police Station, Post Office, Regional Chemical Laboratory, Kerala State Electricity Board, Public Works Department, etc., were paid by the Medical College as

♣ Arrear water charges from April 1996 to February 1999	Rs 234.45 lakh
Add: Water charges for March 1999	Rs 9.03 lakh
Add: Interest for March 1999	Rs 4 .87lakh
Less: Amount remitted in March 1999	Rs 16.35 lakh
Balance	Rs 232.00 lakh

no separate water meters were provided to these institutions. The Principal took no action to install separate meters for these institutions.

Had the water charges been settled in time, the funds required for the payment of surcharge (Rs 20.54 crore)[Ψ] could have been used for other developmental activities. Since KWA is a statutory body entrusted with supply of drinking water, delays in payment of water charges by the Government departments would affect the financial health of the Authority.

The matter was referred to the Government in May 2005; reply had not been received (September 2005).

4.3.2 Extra expenditure on purchase of medicines

Failure of the Central Purchase Committee in not including the price variation clause for purchase of medicines for 2002-03 and delay in finalisation of rate contract for 2003-04 resulted in extra expenditure of Rs 85 lakh.

According to Government instructions (July 1984 and October 1994) all formalities for purchase of medicines and allied items for use in the hospitals under the Director of Health Services (DHS) and the Director of Medical Education should be finalised by the Central Purchase Committee (CPC) through running rate contract system by the end of the preceding financial year. It has also been stipulated that a clause should be included in the conditions of supply that the benefit of reduction in the rates of any medicines by an Act of the Central or the State Government or on account of any other factors should be passed on to the Government by the firms.

Scrutiny by audit revealed (July 2004) that the CPC finalised the running rate contract for purchase of medicines and allied items for 2003-04 only on 15 September 2003. As the rate contract for 2003-04 was not finalised within the prescribed time, the Government issued orders (June 2003) for purchase of emergency and essential drugs up to July 2003 from the firms at the rate fixed for 2002-03. Accordingly, the DHS made purchases during June- July 2003 amounting to Rs 7.97 crore at the rates fixed for 2002-03. However, the CPC failed to include the price variation clause in the general conditions of supply finalised for the year 2002-03.

It was noticed (July 2004) in audit that the rates concluded by the CPC for purchase of medicines on 15 September 2003 for 2003-04 were lower than the rates finalised for 2002-03 by virtue of reduction in Customs and Central Excise duties by the Central Government on Pharmaceutical products effective from 1 March 2003. Thus the failure of the CPC in not including the price variation clause for 2002-03 and the delay in finalising the rate contract for 2003-04 in time resulted in extra expenditure of Rs 85 lakh.

The matter was referred to the Government in May 2005; reply had not been received (September 2005).

[Ψ] Inclusive of payment of Rs 14.75 crore and liability towards the same amounting to Rs 5.79 crore.

HIGHER EDUCATION DEPARTMENT

4.3.3 Avoidable expenditure on payment of House Rent Allowance at higher rates

Sree Sankaracharya University of Sanskrit paid House Rent Allowance at higher rates to its employees resulting in avoidable expenditure of Rs 43.23 lakh.

According to the pay revision orders issued by the Government in November 1998, House Rent Allowance (HRA) payable to employees working in offices located in unclassified places was Rs 100 per month irrespective of the pay range; the revised rates were payable only from 1 November 1998.

It was, however, observed (April 2005) in Audit that Sree Sankaracharya University of Sanskrit located at Kalady, an unclassified place had been paying HRA to its employees at higher rates ranging from Rs 120 to Rs 660 per month applicable to 'C' class cities. The irregular excess payment made from March 1997 to March 2005 worked out to Rs 43.23 lakh.

The action of the University in extending unintended benefit to its employees in violation of the orders of the Government led to an avoidable expenditure of Rs 43.23 lakh.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

PUBLIC WORKS DEPARTMENT

4.3.4 Extra expenditure in the formation of a village road

Post contractual change of gradient of a village road resulted in extra expenditure of Rs 86.04 lakh.

Government sanctioned (March 1998) formation and improvements of Mundengara Pullipadam Odayikkal road (a village road) in Malappuram District for Rs 1.95 crore. The Chief Engineer, Roads and Bridges sanctioned (April 2001) the work technically for Rs 2.80 crore. The Executive Engineer, Roads Division, Manjeri, whose records were test checked during April-May 2004, awarded (May 2001) formation, side protection, cross-drainage and metalling and black topping components (excluding supply of cement and steel) for execution on piece rate basis[Ω] at 30 *per cent* above estimated rate for an agreed cost of Rs 3.06 crore. Execution of these components was completed by June 2003. Payment of Rs 3.48 crore was made as of January 2004.

Formation component of the estimate provided for 28,665 cubic metre (cum)

[Ω] In piece rate system of contract, the contractors give in writing an undertaking to carry out an item of work at specified rates without reference to quantities or time and are usually confined to small works.

of earth filling with contractor's own material. Against this, the quantity actually executed and paid for was 1,00,528 cum. Out of this excess quantity of 71,863 cum, 41,607 cum filling was necessitated due to reduction in cutting quantity (21,840 cum) and extra filling for a 5.370 km portion of road lying at a lower level (19,767 cum). There was, however, no reasonable justification for the remaining quantity of 30,256 cum. Further, as a consequence of this extra filling, the side protection component involving random rubble masonry in cement mortar for retaining wall was executed for an extra quantity of 5,775 cum. Department's contention was that the increase in filling quantity was to ease the gradient to the 'major district road standard'. However, this does not hold good as it was contrary to the Government sanction for forming and improving the village road to trafficable gradient. The fact that a portion of the road to be formed passed through low lying land and required additional filling to ease the gradient was very well known to the Department and as such it ought not to have escaped notice at the time of preparing the original estimate. Thus the post contractual changes made in the scope of work, against the intention of the Government, led to extra filling (30,256 cum) and masonry work (5,775 cum), resulting in extra expenditure of Rs 86.04 lakh.

Government was requested (October 2004) to take remedial steps to arrest the unhealthy tendency of resorting to unjustifiable post-contractual change in estimates.

The matter was again referred to the Government in July 2005; reply had not been received (September 2005).

4.3.5 Extra liability due to change in design

Failure of the Department in ensuring suitability of design to the site conditions and frequent changes in the design led to delay in completion of the work and consequential extra liability of Rs 39.68 lakh.

The Superintending Engineer (SE), Roads and Bridges, South Circle, Thiruvananthapuram awarded (March 1999) the work of construction of a bridge at Bunglowkadavu across Pamba River in Ozhuvampara-Vadasserikara road in Pathanamthitta district to a contractor at a contract price of Rs 2.55 crore. The site was handed over in April 1999, and the date of completion was March 2001, which was extended up to March 2004. The construction was completed in September 2004. Payment made to the contractor was Rs 2.33 crore as of December 2004.

Estimate for the work was prepared on the basis of drawing approved (May 1994) by the Design Research Investigation and Quality Control (DRIQ) Board according to which the piers and one abutment of the bridge were to have open foundation, whereas the second abutment was to have well foundation. It was noticed (December 2003) in audit that the change in design effected (June 1994) by the DRIQ Board altering the well foundation of the second abutment to open foundation was not considered while tendering and arranging the work. After commencement of the work, the design was changed to open foundation for the second abutment also due to necessity at site. Again, as it was found to be difficult to adopt open foundation for the four piers in the river portion it was also changed to twin well of 4.00 M dia and the Chief Engineer, Roads and Bridges, Thiruvananthapuram approved the change in May 2000. The design changes were communicated to the contractor in July 2000.

Meanwhile, alleging loss due to the delay in finalisation of design and specifications for the foundation of the bridge, the contractor demanded (September 2000) payment at 1999 schedule of rates with his quoted rate of 44.5 *per cent* above estimate for work done from July 2000. The arbitration committee, which examined the matter, observed (April 2001) that there was time overrun of 13 months due to departmental lapses and recommended payment at 30 *per cent* above estimate as per 1999 schedule of rates for works executed after 23 March 2001, being the date originally fixed for completion of the work. Government accepted the recommendation in October 2001 which resulted in extra liability of Rs 39.68 lakh.

Thus, due to the failure of the department in ensuring that the design adopted for preparation of estimate was suitable to the site conditions, the department had to change the design frequently and it took 13 months to finalise the design thus delaying the completion of the work entailing extra liability of Rs 39.68 lakh.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

WATER RESOURCES DEPARTMENT

4.3.6 Inordinate delay in completion of Water Supply Schemes

Implementation of Rural Water Supply Schemes dragged on resulting in unproductive expenditure of Rs 2.31 crore and depriving the rural population of the facility of safe drinking water.

Kerala Water Authority (KWA) had been implementing the Centrally Sponsored Accelerated Rural Water Supply Project (Project) intended to provide safe drinking water to the rural population. The schemes taken up under the Project were to be completed within a period of three years utilising the Central assistance. It was noticed that implementation of schemes under the Project dragged on for years primarily due to laxity on the part of the KWA resulting in lapse of Central assistance and denying safe drinking water to the rural population in two cases detailed below:

(1) Government sanctioned (March 1993) a comprehensive Accelerated Rural Water Supply Scheme (Scheme) to Kilimanoor and adjoining villages at an estimated cost of Rs 3.22 crore* to provide drinking water to 67,750 people as the existing facility could cater to the needs of 7,950 people only. KWA purchased pipes costing Rs 1.28 crore during

* Source and Pumping arrangements: Rs 0.69 crore; Pumping Main: Rs 0.60 crore; Treatment Plant: Rs 0.22 crore; Reservoirs: Rs 0.16 crore and Distribution System: Rs 1.55 crore

November 1996 and March 1997 even before the approval of the final design of the Scheme and before getting the land required for the construction of the components of the Scheme. Though consent for relinquishment of land was received from the Panchayat/landowners during 1999-2000, no follow up action was taken to finalise the site for construction of water treatment plant and also for approval of final design. The final design and site were approved in January 2002. The estimated cost of the Scheme had to be revised further (February 2003) to Rs 7.48 crore, owing to cost escalation and deviations. The Managing Director (MD), KWA while blaming the Chief Engineer for not taking up the work even after a decade of its sanctioning and lapse of the Central assistance, directed (May 2003) him to give suggestions as to how the Scheme could be implemented in the absence of the Central assistance. As the KWA had not identified alternative source of funds, the possibility of implementing the Scheme was remote. Meanwhile, pipes costing Rs 27.65 lakh were transferred to another division and the remaining pipes costing Rs 1.01 crore were piled up (July 2005) in the Division. Thus, even after 12 years of its sanctioning, the scheme remained in the design stage.

(2) Another Accelerated Rural Water Supply Scheme sanctioned (January 1999) at an estimated cost of Rs 19.60[#] crore intended to provide drinking water to 1.16 lakh population of Elappara and adjoining four villages in Idukki district was to be completed by January 2002. The Scheme comprised construction of a water treatment plant (WTP) of 7.5 mld capacity, raw water and clear water pumping main, 20 ground level service reservoirs (GLSR), sumps, boosting stations and 115 km of distribution lines besides utilising the six metres diameter well, 10 GLSRs and distribution system of the existing small water supply schemes in the area. Construction of 14 GLSRs and improvements to the existing well were completed at a cost of Rs 1.30 crore between March 2001 and July 2005. Tenders for construction of WTP at an estimated cost of Rs 1.22 crore invited (May 2001) were not finalised, though the lowest offer received was for Rs 1.09 crore. The MD, KWA, however, directed (November 2003) to cancel the tenders and invite fresh tenders for construction of a WTP of 9.5 mld capacity taking into account the additional requirement of water for another scheme suggested by Tourism Department which was under investigation of the KWA. Tenders for construction of 9.5 mld WTP had not been finalised even as of March 2005. Construction of four reservoirs at booster stations and master reservoir was also not taken up pending redesigning of pumping main consequent on the enhancement of capacity of WTP. The remaining works were not taken up as of July 2005.

Thus, the schemes taken up under Centrally Sponsored Accelerated Rural Water Supply Projects had been languishing for years despite availability of funds mainly due to lapses on the part of the KWA, rendering the expenditure of Rs 2.31 crore incurred on them unproductive.

These points were referred to the Government in July 2005; reply had not been received (September 2005).

[#] Weir: Rs 0.30 crore; Water Treatment Plant: Rs 0.92 crore; Service Reservoirs and Sumps: Rs 0.94 crore; Pumping Main: Rs 0.13 crore; Distribution System: Rs 5.79 crore; Gravity Main: Rs 9.70 crore; Power and Pump sets: Rs 1.30 crore; Contingencies: Rs 0.52 crore

4.4 *Nugatory expenditure/Idle investment//Blockage of funds*

FINANCE DEPARTMENT

4.4.1 Nugatory expenditure due to delay in issuing orders of posting

Period of compulsory waiting varying between 31 and 166 days for posting orders treated as duty in the case of 75 Gazetted Officers resulted in nugatory expenditure of Rs 29.31 lakh.

Rules provide that when a Government servant on return from leave, training, foreign service or on termination of previous appointment, has compulsorily to wait for orders of posting, the interval between the date of report and the date on which he/she takes charge of his/her duties shall be treated as 'duty' provided that the interval between the date of receipt of orders and his/her assumption of duties does not exceed the admissible joining time. The rules also lay down that avoidable delay in giving posting orders in such cases shall render the authorities concerned liable for the excess expenditure, if any, caused thereby.

Mention was made in Paragraph 3.9 of the Report of the Comptroller and Auditor General of India for the year 1983-84 about nugatory expenditure in a number of cases where Gazetted Officers had compulsorily to wait for posting orders. Recurrence of such instances was brought to the notice of the Government by audit in September 2003 and the Chief Secretary issued a circular (November 2003) directing all departments to ensure that the period of compulsory waiting for posting was minimised and if avoidable delay was noticed, the excess expenditure should be recovered from the persons responsible. Scrutiny of the Government Orders in audit relating to Gazetted Establishment during the period 2000-05 revealed that the period of compulsory waiting treated as duty varied between 31 days and 166 days in 75 cases under 12 departments and salaries and allowances were paid in a routine manner. The nugatory expenditure incurred on such idle manpower amounted to Rs 29.31 lakh. In the sanctions issued for treating the waiting period as duty, either no reasons were given for the delay in issuing posting orders or the delay was merely stated to be due to administrative reasons. No responsibility for delay in issuing posting orders had been fixed so far. Consequently, recovery as directed by the Chief Secretary from the officials responsible also could not be made.

The facts were confirmed (July/August 2005) by the departments. Meanwhile, the Finance Department stated that the delay in issuing posting orders occurred due to reasons beyond the control of the officers concerned and due care would be taken to guard against such lapses in future.

GENERAL EDUCATION (SPORTS AND YOUTH AFFAIRS) DEPARTMENT

4.4.2 Inordinate delay in completion of an international swimming pool complex

Failure of Kerala Sports Council to ensure completion of an ambitious project even after four years of its targeted date of completion despite spending an amount of Rs 1.80 crore deprived the athletes of the facility of an international swimming pool.

Kerala Sports Council (Council) decided (September 1998) to construct an International swimming pool complex at Pirappancode in Thiruvananthapuram District. Government sanctioned (February 1999) the transfer of 93 cents of Panchayat land with the existing swimming pool to the Council for the purpose. The Council also purchased (April 2000) 115.4 cents of adjacent land at a cost of Rs 11.54 lakh. Scrutiny (August 2004) of the records of the Council revealed the following.

The pile foundation work entrusted (February 2000) to a contractor was completed (September 2000) at a cost of Rs 43.97 lakh. The second phase of construction of 'diving pool, racing pool, dormitory, galleries', etc., was awarded (April 2000) to a Central Public Sector Undertaking* (Undertaking), for an agreed contract amount of Rs 3.61 crore to be completed within nine months which was extended upto May 2002. After completing 60 *per cent* of the work, the Undertaking stopped the work in April 2001 on the ground of delayed payments of their part bills.

Though adequate budgetary support was available, the Council failed to make timely payment of the claims reportedly due to treasury restrictions. As the Undertaking did not resume the work, the Council terminated the contract in May 2003. The total amount paid to the Undertaking was Rs 1.19 crore. The Council had also incurred an expenditure of Rs 5.78 lakh towards consultancy charges. The remaining works were rearranged only in February 2005 for an agreed contract amount of Rs 2.97 crore to be completed within six months. But these had not been completed as of August 2005 even after the expiry of the date of completion.

The following points were noticed in audit that:

- the Council failed to convince the Government of the need for relaxation of treasury restrictions to make payments on the project, the work on which was progressing well;
- though the work was at a standstill since April 2001, the contract was terminated only in May 2003;
- after termination of the contract in May 2003, the work was rearranged only in February 2005, after a lapse of about two years;

* M/s Hindustan Steelworks Construction Limited

- the delay in arranging the work as well as time overrun in completion of the work resulted in an extra financial commitment of Rs 55 lakh; and
- as the work was at a standstill from April 2001 the unfinished structures were exposed to the vagaries of weather without any protection for the last four years thus causing damage to the structures.

Thus, the failure of the Council to ensure timely payment of the claims led to the abandonment of work by the contractor. Further, the delay in terminating the contract and rearranging the work resulted in non-completion of the project even after four years of its targeted date of completion after incurring an expenditure of Rs 1.80 crore, depriving the swimmers of the facility of an International swimming pool.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.3 Non-utilisation of vehicles allotted for Family Welfare Programme

Seven carcass removal vehicles costing Rs 94 lakh, allotted by the Central Government had not been put to use since October 2001.

Ministry of Health and Family Welfare (Government of India) allotted (September 2001) eight Carcass Removal Vehicles (Eicher make) costing Rs 1.07 crore to the State Health Services Department for the Family Welfare Programme. The vehicles were received at the service centre of a Dealer[#] at Thiruvananthapuram in October 2001. The Director of Health Services (DHS), despite repeated requests from the dealer, did not take delivery of the vehicles on the ground that the Regional Transport Authority refused to register the vehicles in the absence of necessary certificates from the manufacturing firm as required by Automotive Research Association of India (ARAI). Government stated (February 2005) that though the company and the dealer were asked to handover the ARAI certificate, they did not take any action. However, on enquiry, Eicher Motors Limited intimated (January 2005) audit that the vehicles supplied were having ARAI approval and stated that this fact was communicated to the Department also.

The vehicles, thus, remained idle in the service centre near the sea shore area and were exposed to the vagaries of nature. The DHS had not made any efforts to take delivery of these vehicles to register them. After it was pointed out (June 2004) by audit, delivery of one out of eight vehicles was taken and allotted to the Superintendent, Taluk Headquarters Hospital, Cherthala in Alappuzha District after obtaining fitness certificate from the Regional Transport Officer (RTO), Thiruvananthapuram in December 2004. The delivery of the remaining seven vehicles was taken in January 2005 (four) and in February 2005 (three) and kept in the State Health Transport Stores pending

[#] M/s Grant Motors Sales Corporation

registration. Thus, seven out of eight vehicles costing Rs 94 lakh had not been put to use since October 2001 and the objective of its procurement for removal of waste and dead bodies of animals remained unachieved.

Government admitted (February 2005) the facts and stated that the State Health Transport Officer had not made any effort to take delivery and get the registration of the vehicles from April 2002 to April 2004. Though the Department had taken delivery of the vehicles by February 2005, the registration of seven vehicles had not been completed as of July 2005. Government had not fixed any responsibility against any Officer as of July 2005.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

HOME DEPARTMENT

4.4.4 Delay in starting an open prison

An open prison could not be started for over four years due to shortage of staff and non-provision of electricity connection.

Government accorded sanction (March 1999) for transferring 308.75 acres of land at Cheemeni village in Kasaragod District to the Home Department for constructing an open prison. Government, however, did not issue administrative sanction for starting the prison. This was pointed out by the Accountant General (Accounts and Entitlements) in January 2001 and accordingly Government issued *ex-post facto* sanction (June 2001) for the establishment of an open prison with effect from November 2000. In April 2000, Government sanctioned 14 posts[α] for the commencement of the prison against which the Department posted only 3 staff[⊕] personnel in November 2000. The remaining 11 posts had not been filled up as of June 2005.

Test check (January 2005) of records of the open prison revealed that construction of barracks, office buildings, etc., completed at a cost of Rs 50.35 lakh by the Public Works Department, were handed over to the Home Department in July 2001. But electrification works were completed only in January 2003 after a delay of 17 months. The application for the estimate for electricity connection was sent to the Kerala State Electricity Board (KSEB) in March 2003 and the estimate was received from the KSEB only in September 2003 after six months. The Department remitted the amount in March 2004 after a delay of six months but the connection had not been sanctioned or obtained as of June 2005.

As of June 2005, Rs 36.68 lakh had been spent towards pay and allowances (Rs 19.33 lakh) of staff, electrification works (Rs 12.71 lakh) and other expenses (Rs 4.64 lakh). The Deputy Superintendent stated (June 2005) that facilities such as hospital, approach road to open prison, electricity connection,

[α] Superintendent: 1, Deputy Superintendent : 1, Head Warder : 2 and Warder : 10
[⊕] Deputy Superintendent: 1, Head Warder : 2

and necessary staff were essential for starting the open prison. Despite having spent Rs 87.03 lakh as of June 2005 the prison had not started functioning (August 2005) due to failure of the departmental officers to appoint the staff against the sanctioned posts and make available other infrastructure facilities.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

HOUSING DEPARTMENT

4.4.5 Unproductive expenditure on a housing scheme

Lack of planning and administrative inefficiency delayed the completion and commissioning of a Housing Scheme resulting in unproductive expenditure of Rs 17.38 crore.

The Kerala State Housing Board (KSHB) formulated (November 1995) the Balaramapuram Housing Scheme (Scheme) which envisaged construction of a seven storied commercial complex and 184 residential flats and allied works in 5.10 acres of land purchased (July 1995) at a cost of Rs 1.20 crore from Trivandrum Spinning Mills Limited. The estimated cost of the Scheme was Rs 23.07 crore. Scrutiny (June 2004) of the records of KSHB revealed the following.

The works were arranged through two contractors in May 1997, to be completed by November 1998. The work of construction of the commercial complex and 64 flats entrusted to the first contractor was completed in October 2001 at a cost of Rs 9.48 crore. The construction of 120 flats and allied works awarded to the second contractor was not completed, though expenditure of Rs 5.87 crore had been incurred as of February 2005. The delay in completion of the work was attributed by KSHB to the slackness of the contractor. The total investment made on the Scheme amounted to Rs 17.38* crore as of March 2005, of which Rs 8.84 crore was borrowed (March-October 1998) from the Housing and Urban Development Corporation.

Though the commercial complex and 64 flats were completed in October 2001, it could not be allotted to the beneficiaries even as of March 2005 as water supply could not be provided. At the time of launching the Scheme the Board proposed to provide water supply from the Aralumoodu Augmentaion Scheme of Kerala Water Authority which did not materialise. Action initiated in February 1999 to identify an alternative source for providing water supply was finalised only in February 2004. The work was in progress and an expenditure of Rs 9.01 lakh had been incurred as of March 2005. Consequently, the Scheme, scheduled to be completed in November 1998, remained to be completed and commissioned in July 2005 and the investment of Rs 17.38 crore did not fetch any return. This also resulted in a potential

* Information furnished by KSHB

loss of Rs 2.04 crore[#] towards rental income on the commercial and office complex since its completion in October 2001 (upto July 2005)

Government stated (August 2005) that construction of 120 flats had since been completed, work on water supply system would be completed within one month and immediate action would be taken for allotment/sale of flats and shops and the office area.

INDUSTRIES DEPARTMENT

4.4.6 Idle investment on a powerloom project

Despite spending Rs 8.77 crore on a powerloom project, intended to provide employment to the jobless handloom weavers and rehabilitation of illicit arrack traders, it could not be commissioned even after seven years.

The Neyyattinkara Taluk Integrated Powerloom Village Industrial Co-operative Society (Society) in Thiruvananthapuram District was established in December 1996 with the objective of rehabilitation of illicit arrack traders and jobless traditional handloom weavers belonging to Scheduled Caste/ Scheduled Tribe communities and Other Backward Classes. The Society envisaged setting up of a powerloom village with 250 sheds to accommodate 1,000 looms. The National Co-operative Development Corporation (NCDC) approved the scheme in October 1997 to establish powerloom workshed project in 15 acres of land at a cost of Rs 10.70 crore.

The original scheme sanctioned by the Government in May 1995 was modified (October 2000), as the scheme was not viable, by reducing the number of looms from 1,000 to 300 in five acres of land and NCDC approved (March 2001) the revised project for Rs 9.60 crore[$] which included State Government grant of Rs 2.72 crore, NCDC term loan of Rs 6.78 crore and Society members' contribution of Rs 10 lakh. Test check of records (January 2005) in the Directorate of Handlooms and Textiles revealed the following.

Government grant of Rs 2.72 crore was drawn by the Director of Handloom and Textiles (Director) in March 1997. Against the release of Rs 4.91 crore by the NCDC to the State Government between February 1998 and March 2003, the State Government released Rs 6 crore in March 1998. The amount of Rs 8.72 crore was deposited by the Director in Treasury Public Account and released to the Society between April 1997 and January 2003. Government while releasing the grant (March 1997) ordered that the Director of Handloom

[#]

		(Rs in lakh)
Expected Annual Rental income as per project report		68.69
Less: annual maintenance expenditure		15.50
Net annual income		53.19
Potential loss of rental income for 46 months from 1 October 2001 to 31 July 2005	Rs 53.19 lakh x 46/12 =	Rs 2.04 crore

[$] Land and Development: Rs 107.41 lakh, Building and Civil works : Rs 277 lakh, Plant and Machinery : Rs 388.50, Miscellaneous Fixed Assets : Rs 38.67, Pre-operative Expenses : Rs 91.14 lakh, Margin Money : Rs 57.28 lakh and Textiles would take special care in organising the Society and monitoring the progress of the project. In November 1998, the Government gave administrative powers to the Kerala State Co-operative Textiles Federation (TEXFED) to act as an apex body for all powerloom projects.

The Society purchased (October 1997) 14.69 acres of land at a cost of Rs 65.39 lakh. As the land was not suitable for construction of factory buildings due to level difference of about 23 metres between the lowest and the highest level of the land, the Society had to spent Rs 2.51 crore more for development of land. Thus the Society spent Rs 3.16 crore for land and its development whereas the amount provided for this in the revised project was only Rs 1.07 crore. Though the revised project was for 300 looms, the Society installed only 200 looms at a cost of Rs 2.19 crore. The total expenditure on the project as of August 2005 was Rs 8.77 crore[ϕ]. The project, however, could not be commissioned as of May 2005 mainly due to shortage of working capital.

The following points were also noticed.

(i) Instead of developing the minimum required land for implementation of the project the Society developed the entire land in its possession resulting in excess over estimate and eventual shortage of working capital.

(ii) The inadequate monitoring by the Director, Handloom and Textiles was the main reason for non-commissioning of the scheme.

(iii) The powerlooms purchased and installed in the two sheds are rusted due to prolonged idling and need a thorough overhauling before these can be put to use.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

4.4.7 Inadequate health care facilities to the tribal population

A hospital building constructed at a cost of Rs 82.43 lakh could not be used for in-patient treatment as infrastructure facilities were not provided.

Under a Centrally sponsored scheme, the Government sanctioned (July 1986) a Health Project for detection, prevention and control of diseases among the tribal population in Wayanad District. The Project started functioning by providing out-patient treatment to the tribals. In order to provide In-Patient (IP) treatment, the Government sanctioned (July 1986) setting up of a

[ϕ]
Land and development	: Rs 315.58 lakh,	Building and Civil Works	: Rs 197.13 lakh,
Plant and Machinery	: Rs 212.19 lakh,	Miscellaneous fixed assets	: Rs 18.38 lakh,
Pre-operative expenses	: Rs 88.29 lakh,	Margin money	: Rs 45.14 lakh

50-bedded hospital with X-ray plant and staff quarters at an estimated cost of Rs 78.87 lakh. This included funds for organising health education camps and mass scale immunisation programmes. The construction of hospital building and other facilities entrusted (1990) to Kerala State Construction Corporation Limited (KSSC) dragged on for more than 10 years and was completed only in January 2002 at a cost of Rs 82.43 lakh. The Tribal Development Officer (TDO) took over the buildings in May 2002. In the meantime, the Wayanad Tribal Health Care Society (Society) was established (July 1995) under the Societies Regulation Act, 1860 with the District Collector, Wayanad as Chairman and TDO, Mananthavady as Secretary for efficient functioning of the Project.

Audit scrutiny (January 2004) of the records of the District Collectorate, Wayanad revealed the following.

(i) The IP wing started functioning in July 2002 for the limited purpose of observing the patients during day time with the assistance of Medical Officers/ staff employed on contract basis. It was discontinued in January 2003 as the Medical Officers left the service. Thus, the IP ward, operation theatre, X-ray machine, etc., were idling since January 2003 and were not put to use (August 2005).

(ii) Meanwhile, the State Government released the Central assistance of Rs 1.20 crore (Rs 75 lakh in March 2003 and Rs 45 lakh in January 2004) to the Society for setting up infrastructure facilities such as laboratory equipment, purchase of ambulance, furniture, etc., to the hospital. The Society did not take any action to provide the required facilities for the functioning of the hospital. The Society diverted Rs 73.81 lakh during 2003-04 for payment of salary to staff (Rs 10.44 lakh), reimbursement of cost of medicine (Rs 59.58 lakh) and other routine expenses (Rs 3.79 lakh).

Idle buildings of the Hospital Complex

Inspite of spending Rs 86.26 lakh for the construction of building (Rs 82.43 lakh) and purchase of X-ray machine, etc., (Rs 3.83 lakh), the facilities could not be used for providing IP treatment to the tribals.

The Society also diverted Rs 73.81 lakh, which was meant for creating infrastructure facilities. The IP ward, operation theatre, X-ray machine, etc., were not put to use as of August 2005. Thus, the health project, approved by the Government of India about 20 years ago, aimed at setting up of a 50-bedded hospital with X-ray plant, organisation of health education camps and mass immunisation programme had not benefited the tribal population despite availability of funds.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

4.5 Delay in commissioning of equipment

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.1 Delay in commissioning of a Cobalt Therapy Unit

Failure of KHRWS/Department of Radiotherapy to decommission old isotope machines resulted in non-commissioning of a new unit purchased at a cost of Rs 2.10 crore, depriving the cancer patients of radiotherapy facility.

Kerala Health Research and Welfare Society (KHRWS)* decided (January 2000) to purchase a tele-cobalt therapy unit, based on the request (June 1999) of the Department of Radiotherapy, Medical College, Kozhikode as the only one existing unit functioning in the Department could treat about 1,500 patients as against 5,000 patients who reported for treatment annually. Government accorded (October 2000) sanction to KHRWS for the purchase and installation of the equipment. KHRWS placed (October 2000) orders with the Indian agent of a Canadian firm for the supply, installation and commissioning of the equipment at a cost of 610604 Canadian dollars. KHRWS availed of (November 2002) a term loan of Rs 1.83 crore from the State Bank of Travancore for the purpose. The equipment was supplied (April 2003) at a cost of Rs 2.10 crore and the installation completed in November 2003. The unit could not, however, be commissioned as of July 2005, as the Atomic Energy Regulatory Board did not give permission to use the new machine for treatment of patients due to non-decommissioning of the old isotope machines in the Department as it would cause radiation hazards. The warranty period of the equipment expired in August 2004. Though, KHRWS/ Department of Radiotherapy was aware of the fact that the old machines have to be decommissioned before the use of the new Cobalt Therapy unit for treatment of patients, no effective steps were taken to get the old machines decommissioned.

Thus, the investment of Rs 2.10 crore by KHRWS did not serve any purpose

* A State Government autonomous institution engaged in providing pay ward facilities and clinical and diagnostic services in Government hospitals/Medical Colleges.

for the last two years and the cancer patients were deprived of adequate radiotherapy facility. Apart from this, the revenue loss by way of charges paid by patients as estimated by the Department was Rs 40 lakh per annum.

The matter was referred to the Government in June 2005; reply had not been received (September 2005).

4.6 Regularity issues and other points

GENERAL EDUCATION DEPARTMENT

4.6.1 Irregularities in cash management

Advances amounting to Rs 3.65 crore disbursed during 1998-2005 remained unsettled as of March 2005 due to the failure of SCERT to adhere to financial rules and enforce financial discipline.

The State Council of Educational Research and Training (SCERT) is an autonomous body set up by the State Government to provide academic research, extension and training support in the field of school education in the State. The funds of SCERT consist mainly of grants from the State Government. Scrutiny of the records of the Council for the period 2000-2005 revealed non-adherence to the financial rules and procedures, mismanagement of cash, non-adjustment of advances even after years of sanction, etc., as detailed below.

SCERT had been implementing various programmes by disbursing the amounts in lump to the Project Coordinators and Implementing Officials as temporary advances. Financial rules and orders issued by the Government stipulate that advances paid should be settled within a reasonable time and in cases where unutilised amounts had not been surrendered or adjustment bills not submitted in time, the entire amount of advance with interest was recoverable from the recipients of such advances.

As of 31 March 2005, temporary advances totalling Rs 3.65 crore paid in 291 cases between April 1998 and March 2005 were outstanding for settlement. This included Rs 53.88 lakh in 108 cases advanced to 13 officials, who had either been relieved on completion of the term of deputation or retired from service and Rs 1.92 crore in 96 cases pending for more than three years. It was noticed that advances were paid to the same officials repeatedly without settling the earlier advances. Advances retained by the relieved and retired officials included Rs 28.93 lakh disbursed to two clerks on 59 occasions between October 2002 and October 2004. SCERT did not take any effective action to settle the advances resulting in the retention of huge unspent balances with the officials for years together leaving scope for misappropriation.

Financial rules also provide that no money is to be drawn unless it is required for immediate disbursement. The limit of daily cash balance that could be held in the cash chest was not fixed by SCERT. The balance of cash held in hand during 2003-04 ranged from Rs 4.43 lakh to Rs 26.88 lakh. The physical verification of cash was not done by any responsible officer at any time. Retention of huge cash balance in the cash chest and failure to conduct physical verification of cash by officers were indicative of gross financial indiscipline and were fraught with the risk of embezzlement and/or misappropriation of cash.

Rules of SCERT provide that annual accounts should be prepared by them. However, the accounts were got prepared by the Chartered Accountants and that too up to 2002-03; audit of the accounts was completed only up to 2001-02. As per the report of the auditors, there was a shortage of cash of Rs 11.97 lakh between the treasury pass book figures and the balance in the bank accounts as on 31 March 2002. No action was taken by the Council to reconcile the shortage even as of March 2005.

Government also failed to exercise proper control over the finances of the Council. While releasing grants to the Council, the Government did not make any realistic assessment of the requirement *vis-à-vis* the unutilised portion of grant available with the Council. During 2003-04, the Government released grants aggregating Rs 2.85 crore when there was an unutilised balance of Rs 5.62 crore with the Council. This led to the retention of large balance with the Council giving scope for financial indiscipline.

Thus, failure of SCERT to adhere to the financial rules and procedures resulted in non-adjustment of advances of Rs 3.65 crore disbursed during 1998-2005 and mismanagement of cash. Therefore, it is suggested that the Government and the Council may evolve suitable internal control mechanism to ensure adherence to financial rules and procedures and take urgent action to settle the outstanding advances without any delay.

The matter was referred to the Government in July 2005; reply had not been received (September 2005)

INDUSTRIES DEPARTMENT

4.6.2 Inadmissible payment of State Investment Subsidy

Four District Industries Centres made inadmissible payment of investment subsidy of Rs 29.59 lakh to seven industrial units.

Test check of records in four District Industries Centres (DICs)[∝] revealed (December-March 2005) inadmissible payment of Rs 29.59 lakh as detailed below:

(i) According to the provisions in the revised Manual for State Investment Subsidy effective from July 2000, an Investment Subsidy (Subsidy) of 10 *per cent* limited to Rs 5 lakh will be payable on the fixed capital investment of all industrial units which were not included in the negative list, notified from time to time.

[∝] Thiruvananthapuram, Pathanamthitta, Ernakulam and Kasaragod

Photo studios and colour processing centres were included in the negative list and thus, were not eligible for subsidy. In July 2001, it was also clarified by the Government that the units engaged in digital imaging activity could be considered only in the category of colour processing units and hence were not eligible for subsidy. However, in DIC, Thiruvananthapuram and Ernakulam subsidy of Rs 15.16 lakh was paid to four units[Ψ] engaged in digital imaging activity.

(ii) The State investment subsidy already in force from 4 January 1994 till its revision from 11 July 2000 provided for an investment subsidy of 15 *per cent* limited to Rs 15 lakh on the fixed capital investment like land, building, plant and machinery of all industrial units. According to the revised scheme effective from July 2000, the subsidy would be 10 *per cent* limited to Rs 5 lakh on the fixed capital investment.

Under the revised scheme, building in the name of the Proprietor/Partner/ Director, if capitalised in the books of accounts of the unit shall also be made eligible for subsidy unlike in the old scheme in which building in the name of unit only was eligible. The beneficiaries who had applied for subsidy prior to the issue of revised orders (11 July 2000) were given the option to opt for either of the two schemes.

Subsidy of Rs 16.04 lakh was given to two firms in January 2002 based on 1994 scheme. Subsequently the Government made (January 2004) the land and building owned in the name of Proprietor/Partner/Director, etc., also eligible for subsidy with retrospective effect from 4 January 1994. Based on this these two firms were released additional subsidy of Rs 10.06 lakh in October-November 2004 reckoning the cost of land and building also.

As the subsidy had been kept at a reduced level of Rs 5 lakh per unit in the revised scheme, inclusion of the value of land and building in the name of Proprietor/Partner/Director, etc., in the revised scheme for calculation of subsidy as per 1994 scheme after 10 years gave undue advantage of Rs 10.06 lakh to the two firms which was not justifiable.

(iii) The Small Industries Division, Ministry of Industries, Government of India clarified (March 1989) that if the fixed investment in plant and machinery of one or more units (clubbed together) set up by common Proprietor/Partner/Director within the country for the manufacture of similar or different products exceeds the fixed investment ceiling prescribed in the definition of small scale or ancillary industrial undertaking, such units would be liable for de-registration. The ceiling fixed (January 2002) by the State Government for small scale industry was Rs 3 crore. The total investment (clubbed) of M/s. Midland Rubber Produce & Company Limited at Maniyar engaged in the production of centrifuged latex in DIC, Pathanamthitta was Rs 3.39 crore which exceeded the ceiling fixed for small scale industries. Though the unit was not eligible for subsidy, the DIC disbursed a subsidy of Rs 4.37 lakh.

[Ψ] Chithra Sala Movie, Sasthamangalam – Rs 1.34 lakh, Real Images, Sasthamangalam - Rs 2.78 lakh, Raju Associates - Rs 5.00 lakh (Thiruvananthapuram); Color Tone Processors Pvt. Ltd. - Rs 6.04 lakh (Ernakulam)

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

LOCAL SELF GOVERNMENT DEPARTMENT

4.6.3 Revenue loss to Development Authorities due to non-receipt of centage contribution from local bodies

Failure of the Government to ensure the implementation of the provisions of the Act/Rules deprived the Development Authorities of their revenue from centage contribution.

According to the Development Authority Rules and orders issued by the Government, finances of Development Authorities included contribution from local bodies under the provisions of the Travancore Cochin Town Planning Act, 1108 (Malayalam Era). The local bodies were to pay centage contribution to Development Authorities at the rate of one to two *per cent* of their annual income depending on the locality of their jurisdiction and the benefits of developmental activities derived by them. In cases where payment for a particular year is not made before 30 April of the succeeding year, the defaulted amount was to be adjusted from the grants due to the local body from the Government.

Scrutiny of the accounts of six Development Authorities revealed that huge arrears of centage contribution were pending collection from these local bodies.

(Rupees in crore)

Name of Development Authority	No. of local bodies		Amount due
	Corporation/ Municipalities	Panchayats	
Greater Cochin	7	11	14.80*
Calicut	1	12	2.34*
Kollam	1	7	2.24*
Trivandrum	1	15	4.97£
Thrissur Urban	1	6	3.62£
Idukki	-	1	0.04&
Total	**11**	**52**	**28.01**

As the annual budget of the Development Authorities were prepared taking into account the anticipated revenue from centage contribution also, non-receipt of the same adversely affected the implementation of developmental activities and the repayment of loan raised from financial institutions. Though it was decided in a high level meeting (May 2004) to clear the arrears by March 2005 by effecting payments in instalments, the local bodies failed to abide by the decision. Government had also not taken any action to adjust the arrears from the grants due to the local bodies for payment to the Development Authorities.

* Arrears up to 2004-05
£ Arrears up to 2003-04
& Arrears up to 2002-03

The failure of the Government to ensure the implementation of the provisions of the Act and the Rules deprived the Development Authorities of their revenue of centage contribution from the local bodies, thus adversely affecting the developmental activities taken up for implementation by the Authorities.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

WATER RESOURCES DEPARTMENT

4.6.4 Irregular payments to contractors

Action of Circle and Divisional Officers in allowing contractors to execute extra items or quantities of work resulted in irregular payment of Rs 9.46 crore in 26 works.

According to the provisions of the Public Works Manual, detailed estimates of a work are to be prepared as faithfully as possible, on the basis of detailed drawings and specifications, study of site conditions, source of supply and cost of different materials, cost of labour, etc., so that the estimates would reflect cost of the work which could be foreseen at that time. During the course of execution of work, if alterations causing change in the scope of work are anticipated or the sanctioned estimates are likely to be revised by more than five *per cent*, the estimates are to be revised and sanctioned by competent authority. Despite the manual provisions, the Circle/Division level officers of the Kerala Water Authority (KWA) allowed contractors to execute extra items or quantities of work not envisaged in the original schedule of works without obtaining sanction for revised estimates from competent authorities, even though payment to contractors exceeded their accepted contract value substantially.

A test check of the records of 13 works awarded during 1988-1989 to 1993-1994 revealed that the amounts paid to the contractors in excess of the agreed contract amounts totalled Rs 4.34 crore and the percentage of excess ranged from 59 to 775 as shown in **Appendix XXVII**. The KWA did not sanction or recommend to the Government, for sanction of the revised estimates of these works for which proposals were received from the divisional officers through Superintending Engineers and Chief Engineers between July 1998 and April 2003. It was also noticed that total payments made to the contractors in seven[#] of these works exceeded the revised estimates submitted for approval by Rs 36.00 lakh. One of the reasons for the major increase in the cost of works was the post-contractual changes made in the original design of the work. For instance, in two[∝] works for constructing well-cum-pump house, the diameter of wells was increased after awarding the contract, without obtaining sanction of competent authority. The executing officers allowed increase in the diameter of intake wells resulting in execution of extra items and thereby revision of estimates to Rs 1.41 crore against the aggregate agreed contract

[#] Sl. Nos. 2,5,7,8,10,11 and 12 of Appendix - XXVII

[∝] Sl. Nos. 2 and 3 of Appendix - XXVII amount of Rs 16 lakh. The revised estimates had not been sanctioned by the competent authorities (June 2005). According to the delegation of powers, officers up to the level of the Managing Director, KWA are empowered to sanction excess over the estimated value of works only upto 50 *per cent.* As the revised estimates exceeded 50 *per cent* in all the cases mentioned in the Appendix, the payments made to contractors in excess of the agreed contract value without obtaining sanction for revised estimates from higher authorities *viz.*, High level Committee/KWA/ Government* were, therefore, irregular and amounted to an override of contract procedures.

Incidentally, it was also noticed that in 13 other works awarded at the agreed contract amount of Rs 1.97 crore the payments made to contractors exceeded the contract amounts by Rs 5.12 crore and the revised estimates for Rs 9.35 crore submitted during July 1990-June 1997 had not been sanctioned as of August 2005. This indicates that the system of making payments to contractors in excess of the agreed contract value without obtaining sanction of revised estimates was a general practice in the KWA.

Thus, action of Circle/Divisional Officers of KWA in allowing contractors to execute extra items or quantities of work without obtaining sanction for revised estimates from competent authorities resulted in irregular payment of Rs 9.46 crore to the contractors in 26 works.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

4.6.5 Loss due to vitiation of tender procedure

Manipulation of tender documents entailed extra liability of Rs 78.80 lakh on the State exchequer

Scrutiny (February 2005) of the records of the Superintending Engineer (SE), Project Circle, Muvattupuzha relating to the work of Maruthoor distributory of Muvattupuzha Valley Irrigation Project (MVIP) revealed that the SE issued (August 2003) the Notice Inviting Tender (NIT) for pre-qualification and execution of the construction of Maruthoor distributory from chainage 1100 m to 2540 m including cut & cover and cross drainage works. Based on the evaluation of the pre-qualification bids (June 2004) and price bids (July 2004), the work was awarded to a contractor in August 2004 for a contract price of Rs 2.09 crore (35 *per cent* above estimated cost) after negotiation.

The quotation sheets of nine out of ten bidders showed alterations to enhance the quoted percentages both in figures and words. Though the provisions in the Kerala PWD Manual permit alterations in the quotation sheets, the officer opening the tender has to date and initial the corrections and over-writings in each tender in red ink. A scrutiny of the quotation sheets showed that the officer, who opened the tenders, had not dated and initialled any of the

* Revised estimates exceeding 70 *per cent* over the estimated value of works is to be sanctioned by a High Level Committee constituted by KWA, revised estimate upto Rs 1 crore is to be sanctioned by the KWA and revised estimate over Rs 1 crore is to be sanctioned by the Government.

corrections and over-writings. On this being pointed out in audit, the SE held (April 2005) that the contractors themselves made these alterations. The original rate quoted by the successful bidder was 0.98 *per cent* above estimates, which was altered as 35.98 *per cent* inserting 'thirty five' in words and '35' in figures. The quoted rates in other eight cases also were revised upwards by insertions (five cases) and corrections (three cases) to make them much higher than the original rates as indicated below:

Contractors	Percentage quoted	
	Before modification	**After modification**
Contractor 1	(+) 3.90	(+) 83.90
Contractor 2	(+) 3.00	(+) 43.00
Contractor 3 (Co-operative society)	(+) 70.00	(+) 70.00
Contractor 4	(+) 27.00	(+) 127.00
Contractor 5	(+) 9.30	(+) 79.30
Contractor 6	(-) 16.00	(+) 60.00
Contractor 7	(+) 12.00	(+) 112.00
Contractor 8	(+) 30.00	(+) 50.00
Contractor 9	(+) 0.98	(+) 35.98
Contractor 10	(+) 14.40	(+) 36.00

This shows that the alterations were not the result of any rectification of error or due to a more realistic assessment of the cost and quantum of work but the outcome of a design to raise the contract price of the work and to manipulate the entire process of tendering.

In the NIT, there was a specific condition restricting the award of the work only to financially sound and well experienced 'A' class contractors or firms of Kerala Water Resources/Public Works departments, who had satisfactorily completed at least 'one single similar work' costing 50 *per cent* of the estimated probable amount of contract. At the time of scrutiny of the pre-qualification bids, the committee of Chief Engineers did not insist on this condition, holding that it was contrary to the spirit of the Government order on pre-qualification. Moreover, the High Court had also decreed (November 2003) against imposition of this condition. Accordingly, the committee approved all the ten pre-qualification bids included in the evaluation statement of the SE. The right course of action in this case was to retender the work with the modified conditions to get more competitive offers. This was not done, though the dates for receipt of tenders had been extended twice.

The pre-qualification bids received as early as January 2004 were forwarded to the pre-qualification committee only in June 2004 after a lapse of about five months, reasons for which were not on record.

Thus, the departmental officers failed to take steps to safeguard the financial interests of the Government and it is recommended that the Government may conduct a detailed probe in this matter. Reckoning the original lowest rate offered (16 *per cent* below estimates) by contractor No.6, the award of the work at 35 *per cent* above estimates entailed extra liability of Rs 78.80 lakh.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

4.6.6 Purchase of inferior quality pipes led to non-completion of an urban water supply scheme

Failure of the Kerala Water Authority to ensure the quality of pipes resulted in procurement of inferior quality pipes leading to stalling of the progress of a scheme for three years on which Rs 11.87 crore had been spent.

Government sanctioned (March 1994) a scheme for supplying drinking water to Perinthalmanna Municipality area in Malappuram District at an estimated cost of Rs 13.78 crore with loan assistance from the Life Insurance Corporation of India (LIC). The scheme, designed to supply drinking water to 0.77 lakh people of the Municipality commenced in May 1996 to be commissioned in 2003. The components of the scheme except construction of a weir to enrich the source, gravity main, distribution system and power line extension were completed during September 1999 - December 2004. The expenditure incurred on the scheme was Rs 11.87 crore as of July 2005 including interest of Rs 3.29 crore paid to the LIC on the loan of Rs 4.80 crore.

Chief Engineer (CE), Kerala Water Authority (KWA) arranged (July 2000) purchase of 5,353 metres of 300 mm Asbestos Cement (AC) class 10 pipes from a firm in Mumbai. The pipes valuing Rs 25.29 lakh were supplied between November 2000 and February 2001. Fitness of the AC pipes for water supply schemes was to be determined by conducting test on six quality parameters, which included tests on hydraulic pressure and bursting. The CE, however, accepted the pipes even before receiving the final report from the Inspecting Agency authorised by the KWA for inspection of pipes at the factory premises. The report also did not reveal results of tests conducted on those quality parameters. After laying 493 metres, when the pipes were tested, these could not withstand the test pressure of 2 kg/cm^2 (gauge) to 4.5 kg/cm^2 (gauge), even though these pipes were required to withstand a field test pressure of 7.5 kg/cm^2 (gauge). Hence the work was stopped in October 2002. Though, the firm agreed (November 2004) to replace 4,860 metres of pipes with good quality pipes it had not replaced the pipes as of June 2005. Although, the work on the gravity main of the scheme was held up since October 2002, due to supply of defective pipes, the CE did not make any alternative purchase of pipes for completion of the works and fix risk and cost liability against the original supplier. The bank guarantee of Rs 15.87 lakh deposited with the KWA by the supplier firm in July 2000 had also not been invoked.

Thus, the scheme sanctioned in 1994 could not be commissioned even as of June 2005 mainly due to stoppage of work of its gravity main and the expenditure of Rs 11.87 crore incurred on it remained unproductive.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

GENERAL

4.6.7 Lack of responsiveness of Government to Audit

The Principal Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of offices inspected with a copy to the next higher authorities. Article 63 (c) of Kerala Financial Code and instructions* issued by the Government provide for prompt response by the Executive to the IRs to ensure rectificatory action and accountability for the deficiencies, lapses, etc. The Heads of offices and the next higher authorities are required to report their compliance to the Principal Accountant General within four weeks of receipt of the IRs. A half-yearly report of pending IRs is sent to the Secretary of the concerned department to facilitate monitoring of the pending IRs.

At the end of June 2005, 7,968 IRs and 24,472 paragraphs issued upto December 2004 were outstanding for settlement. The year-wise break-up of these IRs is given below.

Year	Number of IRs	Number of Paragraphs
Upto 2000-01	2,034	4,965
2001-02	1,213	3,919
2002-03	1,680	4,817
2003-04	1,663	5,216
2004-05	1,378	5,555
Total	**7,968**	**24,472**

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

A review of the outstanding IRs pertaining to the Planning and Economic Affairs Department and the Food and Civil Supplies Department revealed that 266 paragraphs contained in 109 IRs having money value of Rs 55.56 crore remained unsettled at the end of June 2005. The year-wise position of the outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix XXIX**.

* 'Hand book of Instructions for the speedy settlement of audit objections/inspection reports etc' issued by Finance Department

4.6.8 Follow up action on Audit Reports

Government is to finalise remedial action on all audit paragraphs within a period of two months of the presentation of the Reports of the Comptroller and Auditor General of India to the Legislature. The Administrative departments concerned were required to furnish notes explaining the remedial action taken (ATNs) on the audit paragraphs to the Public Accounts Committee (PAC) or the Committee on Public Undertakings (CoPU)# as well as to the Principal Accountant General within the prescribed time limit.

The position of pendency as of July 2005 in furnishing ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India - Civil- Government of Kerala pertaining to the years 1993-94 and 1996-97 to 2003-04 was as follows:

Reference to Report (year and number)	Number of Paragraphs included	Number of Paragraphs for which ATNs have been furnished by the Government	Number of paragraphs for which ATNs were due from the Government
1993-94 (No.2)	83	81	2
1996-97 (No.3)	53	50	3
1997-98 (No.3)	64	62	2
1998-99 (No.3)	62	55	7
1999-2000	58	34	24
2000-01	51	32	19
2001-02	24	12	12
2002-03	63	34	29
2003-04	43	Due only in October 2005	
Total	**501**	**360**	**98**

In respect of the years 1994-95 and 1995-96, no ATN was outstanding. The department-wise details of the ATNs pending are furnished in **Appendix XXX.**

Paragraphs relating to Kerala Water Authority and Kerala Khadi and Village Industries Board are examined by the CoPU

CHAPTER V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

CHAPTER V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

General Administration (Tourism) Department

5.1 Internal Control System in Tourism Department

Highlights

- **During the period 2001-05 there were persistent savings ranging from 16 to 24 *per cent* of the budget provision which was indicative of lack of budgetary control.**

(Paragraph 5.1.7)

- **Owing to non-maintenance of registers with regard to expenditure and liabilities, there was no effective monitoring of expenditure which necessitated surrender of savings on the last working day of the financial year.**

(Paragraph 5.1.8)

- **Advances totalling Rs 5.47 crore were pending adjustment for periods up to seventeen years.**

(Paragraph 5.1.11)

- **There was no mechanism to monitor the utilisation of Central assistance or the funds released by the Department to the implementing agencies, etc., and to watch the progress of tourism promotion projects.**

(Paragraphs 5.1.20 to 5.1.23)

- **Financial principles and procedures were not observed in awarding works of publicity/advertising.**

(Paragraph 5.1.25)

- **No proper controls were exercised by the Department in the functioning of Guest Houses.**

(Paragraphs 5.1.27 to 5.1.29)

- **The recommendations of the Public Accounts Committee for formation of an independent full fledged Internal Audit Wing had not been acted upon and internal audit was confined to inspection of stores and accounts for the purpose of issuing non-liability certificates in retirement cases.**

(Paragraph 5.1.35)

Introduction

5.1.1 The functions of the Tourism Department are to promote tourism in the State, provide hospitality and other amenities to VVIPs, VIPs, and high dignitaries, run Guest Houses and upkeep of residential bungalows of Ministers.

5.1.2 Internal control is universally defined as a managerial process designed to provide reasonable assurance regarding the achievement of the following three objectives that all organisations strive for:

- Economy and efficiency of operations including achievement of performance goals and safeguarding of resources against loss;
- Reliable financial and operational data and reports; and
- Compliance with laws and regulations

Internal Control has five essential components namely control environment, risk assessment, control procedures, information and communication and monitoring.

5.1.3 An evaluation of the internal control system in the Tourism Department was carried out to see whether the control system provides a reasonable assurance for -

- Proper financial control
- Proper operational controls over tourism promotion activities and running of Guest Houses
- Safeguarding resources against loss

Organisational set up

5.1.4 The Department is headed at the Government level by the Secretary, Tourism which comes under General Administration Department. The Director of Tourism is the Head of the Department assisted by two Additional Directors (General and Hospitality), three Joint Directors (one at the Directorate and two at Regional Offices at Ernakulam and Kozhikode), ten Deputy Directors and other staff.

Audit coverage

5.1.5 An evaluation of the internal control system in the Department covering the period 2001-05 was conducted during March-July 2005 by a test check of records of the General Administration and Tourism Departments in the Secretariat, Directorate of Tourism, two Regional offices, six* (out of 24) Guest Houses, two** (out of 20) Tourist Information Centres and Motor

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* Ernakulam, Malappuram, Munnar, Kanyakumari, Kottayam and Thrissur
** Kovalam and Thiruvananthapuram

Vehicle Garage of the Department. Four[&] (out of 14) District Tourism Promotion Council Offices were also selected for test check and details were collected from the remaining DTPCs. The audit findings are discussed in the succeeding paragraphs.

Financial controls

Budgetary control

Instructions on preparation of Budget estimates were not followed

5.1.6 The Kerala Budget Manual (KBM) provides that the budget estimates of the Department are to be prepared on the basis of proposals received from subordinate offices. Such estimates are to be submitted to the Government on the due date prescribed by the Government each year. There were delays of 13 to 47 days in sending Budget Estimates (Non-Plan) by the Director for the years 2001-02 to 2004-05 to the Finance Department. Subordinate officers also did not sent their budget proposals for the said periods to the Directorate before the due dates fixed. Dates of forwarding budget estimates for Plan expenditure for 2001-05 were not furnished by the Directorate. Delay in sending budget proposals to the Finance Department affects the quality of scrutiny by the latter and contributes to the eventual mismatch between the budget and the actual expenditure.

5.1.7 During the period 2001-05, there were persistent savings ranging between Rs 12.09 crore to Rs 17.44 crore, the percentage of savings being 16 to 24 of the budgetary provisions. The Directorate did not furnish any reason for such savings. During these years surrender of Rs 40.42 crore (aggregate) was made on the last day of the financial years, thereby revealing serious inadequacies in Information and Communication and Monitoring components of Internal Control.

Expenditure control

Monitoring of expenditure against provision was very poor

5.1.8 The Director of Tourism as the Chief Controlling Officer is required to allot budget provision to various subordinate offices, receive monthly progress report of expenditure from them, forward monthly returns of expenditure to the Government, reconcile expenditure and monitor expenditure against budget provision. The Director and subordinate officers did not maintain the Register of expenditure and liabilities (Form KBM12) and liability register (Form KBM13). Monthly expenditure was not consolidated in KBM15 and the monthly returns of expenditure (Form KBM 16) were never sent to the Government by the Director. Hence the Director could not exercise effective control over expenditure leading to persistent savings and surrender of funds on the last day of the financial year. Government also did not get any feed back on the expenditure from the Department. Reconciliation of Departmental figures of expenditure with those appearing in the books of the Accountant General (A&E) as required under Para 74 of the KBM was pending from 2003-04 onwards (May 2005).

[&] Alappuzha, Ernakulam, Kollam and Wayanad

5.1.9 Government issued (June 2004) directions to fix monthly ceiling of expenditure of a Department by the Head of the Department and to see that expenditure does not exceed the ceiling and the unutilised balance is not allowed to be carried over to the succeeding month. The Head of Department has to furnish to the Finance Department the details of monthly expenditure in Form No II by the 10th of the succeeding month. During the period June 2004 to July 2005, while the details of monthly expenditure in Form No. II were not being sent to the Finance Department, it was observed in audit that the prescribed ceiling fixed had been exceeded in seven months.

5.1.10 The Special Rules for Kerala Tourism Service, 1995 do not provide for the post of Assistant Executive Engineer (AEE) (Garage). But appointment of AEE was made on deputation from other departments and Public Sector undertakings. As per the Financial Rules, the AEE is not empowered to draw Contingent Bills from the Treasury for meeting expenditure. It was, however, observed that the AEE in charge of the Garage drew up to Rs 2 lakh towards fuel charges in one bill and the aggregate amount drawn by him during 2004-05 was Rs 1.82 crore.

Failure to adjust advances

Despite the observation of the PAC advances totalling Rs 5.47 crore were pending adjustment

5.1.11 Financial rules prescribe adjustment of all advances at the earliest by presenting final bills. The Director had issued (May 2000) specific instructions to settle advances within one month, not to sanction further advance before settling the earlier advances and to initiate action including Revenue Recovery Proceedings in the case of non-adjustment of advances. As of May 2005, Rs 5.47 crore (in 129 cases) advanced to officers for conduct of fairs and festivals, visit of VVIP/VIPs etc., were pending adjustment in the Directorate for periods up to 17 years. Out of this, Rs 3.55 crore were drawn by the top officials namely the Director/Additional Director /Joint Directors. The Public Accounts Committee (1998-2000) in their 110th Report had recommended (December 2000) that advances pending adjustment should be settled immediately and in future advances should be settled then and there and also to take stringent action against those who failed to settle the advances. However, the control weakness continued to persist. It was noticed that further advances were also being sanctioned to officers before settlement of previous advances.

Accounting controls

5.1.12 The Kerala Treasury Code (KTC) provides that each transaction should be entered in the cash book as soon as it occurs. However, in Guest House, Kovalam, cash book was not written from 31 July 2003 to 7 January 2004. Cash book was written from 8 January 2004 with 'Nil' as the opening cash balance. Subsequently, the Internal Audit Wing reconstructed cash book for the period 31 July 2003 to 7 January 2004 and it was noticed that there was a cash shortage of Rs 7,48,556. Though the Finance Officer stated (April 2005) that remedial action had been taken, the nature of action taken to make good the shortage of cash had not been intimated (August 2005).

5.1.13. Absence of adequate control on cash management was evident in the Directorate also. To meet contingent expenditure, abstract contingent bills up to the prescribed ceiling could be drawn as per the procedure laid down. In disregard of this procedure, it was observed that contingent expenditure was being met by drawing cash by submission of temporary hand receipts. It was also observed, during test-check in audit, that the closing cash balance of Rs 9.48 lakh as on 25 April 2005 included temporary receipts amounting to Rs 2.82 lakh relating to the period 1992 to 2005. These temporary receipts, despite passage of time up to 13 years, had not been settled by submission of detailed bills for which the contingent expenditure had been incurred. Security Deposit of Rs 87,000 (dates of collection not ascertainable as no register was maintained to record the collection of security deposits), which was to be remitted to Treasury was also kept in cash chest and included in the cash balance. The control system clearly did not provide any reasonable assurance against temporary misappropriation of Government money.

Cash balance included temporary hand receipts for Rs 2.82 lakh

5.1.14 In 23 cases, where liability of Rs 10.39 lakh relating to the period March 1989 to August 2004 had been fixed by the Internal Audit Wing of the Department, no recovery was effected from the officers concerned.

5.1.15 In the Transport Garage of the Department, detailed vouchers for the advance of Rs 1.69 lakh drawn during 2001-02 and 2002-03 by the officials were not produced. The Assistant Executive Engineer (AEE) had reported to the Director that Rs 1.69 lakh had been misappropriated. The AEE stated (May 2005) that disciplinary action and recovery were being initiated in these cases.

5.1.16 Control weakness turns out to be grave when cash handling is not covered by fidelity insurance as provided in Article 286 of the Kerala Financial Code (KFC) Volume I. Rule 130 of KTC Volume I provides for double lock of cash chest, custody of keys by two different persons and deposit of duplicate keys in the Treasury. These directions were not followed in the Directorate as well as in the other offices test checked.

5.1.17 Central assistance of Rs 32.76 crore was kept in the Treasury Savings Bank (TSB) account of the Directorate (May 2005). The Department could give the scheme-wise details for Rs 28.94 crore only and was not sure of the schemes for which the balance (Rs 3.82 crore) was kept in the Treasury. No reconciliation of Departmental figures with that of Treasury pass book was conducted. Meanwhile, Rs 36.86 lakh were credited (April 2004) by Treasury on account of interest for 2003-04 in violation of the directions (July 1993) of the Government that no interest was to be allowed on the Government money deposited in TSB. The wrong credit was not brought to the notice of the Treasury by the Directorate.

Operational Controls

Tourism promotion activities

5.1.18 The Department creates necessary infrastructure facilities for development of tourism, gives incentives and financial assistance to institutions and organisations engaged in the field, conducts fairs and festivals and provides information through print and electronic media.

5.1.19 The development of infrastructure was carried out by the Department through the Central Public Works Department (CPWD) and the District Tourism Promotion Councils (DTPC), various autonomous bodies and line departments. During 2002-05, the Department had spent Rs 92.25 crore including Central assistance of Rs 35.30 crore towards development of infrastructure facilities. Test check of the control exercised by the Department in the development of infrastructure facilities revealed the following.

5.1.20 The Department released financial assistance of Rs 97.82 lakh during 1997-2004 to four DTPCs for implementation of nine schemes. Out of this, Rs 29.79 lakh only had been utilised by the DTPCs and Rs 68.03 lakh were either held in bank accounts or diverted to other schemes by the respective DTPCs as detailed below:

(Rupees in lakh)

Sl No.	Name of scheme	Name of DTPC	Year of release	Amount drawn	Amount utilised as of April 2005	Amount not utilised/ diverted
1	Amenity-cum-Nature study	Wayanad	2003-04	13.00	2.43	10.57
2	Development of Pazhassi Memorial	Wayanad	1997-98	15.50	14.65	10.85
3	Mini Train Project	Wayanad	1996-97	10.00		
4.	Construction of Water Park at Malampuzha	Palakkad	1996-97	15.00	Nil	15.00
5	Bhoodathankettu	Ernakulam	1999-2000	10.00	Nil	10.00
6	Kottayil Kovilakam	Ernakulam	1997-98	12.77	10.00	2.77
7	Tourism Club	Ernakulam	2002-03	8.85	2.71	6.14
8	Veerumala Hills	Kasaragod	2000-01	2.70	Nil	2.70
9	Gateway to Kerala	Kasaragod	2002-03	10.00	Nil	10.00
Total				**97.82**	**29.79**	**68.03**

No monitoring of the progress of projects for which funds were released to the DTPCs

5.1.21 No control procedures had been put in place for monitoring the physical progress of the projects for which funds had been provided by the Directorate. Though the Director instructed (September 2004) the Deputy Directors to monitor the functioning of the DTPCs, they did not exercise any check. Thus, transfer of funds to the DTPCs without appropriate controls in place for watching the proper utilisation of funds *vis-à-vis* the progress of works resulted in non-utilisation/diversion of funds.

Execution of Centrally assisted schemes

No mechanism had been evolved to implement Centrally assisted projects on a priority basis

5.1.22 The Department failed to utilise the Central assistance received for various tourism promotion projects. In eight cases, out of Rs 7.11 crore received as Central assistance during 1999-2004 the Department could not utilise Rs 6.50 crore due to non-commencement or non-completion of works and Rs 91 lakh were yet to be received from the Government of India (GOI) as shown below.

(Rupees in crore)

Name of Project	Project cost	GOI Assistance	Period of release	Amount released by GOI.	Expenditure incurred	Amount not released by GOI	Remarks
Development of Marina at Bolgatty, Kochi	16.95	4.23	31 March 2004	3.99	-	0.24	GOI directed that if the amount was not utilised within six months it was to be surrendered, but the amount was neither utilised nor surrendered.
Adventure Tourism at Munnar	0.72	0.72	31 March 2001 to 29 May 2003	0.56	0.26	0.16	Equipment worth Rs 25.62 lakh purchased and stored in Yatri Nivas, Ernakulam
Waterside amenity at Vattakkayal	0.74	0.50	31 March 2000 to 13 March 2003	0.40	-	0.10	Work not started
Water Sports Complex, Ashtamudi	0.45	0.40	18 March 1999 to 07 July 2001	0.32	-	0.08	Work not started
Tourism Reception Centre, Vythiri	0.34	0.25	15 February 2000	0.25	-	-	Work not started
Development of Walkway at Kochi	1.14	0.57	27 March 2003 to 29 November 2004	0.35	0.15	0.22	Work not completed
Tourist Reception Centre at Munnar	0.34	0.25	15 February 2000	0.25		-	Work not started
Innovation Water Sports	1.50	1.10	14 February 2002	0.99	0.20	0.11	Work was to be completed by February 2003/ Not completed.
Total		**8.02**		**7.11**	**0.61**	**0.91**	

5.1.23 Though two of the schemes were only partially completed, the Department furnished incorrect reports as 'completed'. Similarly, in respect of five schemes, the work on which had not commenced, reports were sent to GOI as 'work in progress'. The Department had not evolved any mechanism to implement the Centrally assisted projects on a priority basis so as to avail of the maximum assistance from the GOI for tourism promotion activities.

Publicity and conduct of festivals and fairs

5.1.24 Publicity through print and electronic media, festivals and international fairs are arranged through private agencies (Advertising Agencies and Event Managers). Rupees 34 crore had been spent on publicity works during 2002-05.

Rules and procedures not followed in awarding work to advertising agencies

5.1.25 Lack of financial prudence and violation of established financial principles were evident in the entrustment of works of advertising through advertising agencies. As per the existing practice, the Government empanels a group of advertising agencies to handle the work of advertisement and publicity. Government had empanelled (June 2003) three agencies for advertisement and publicity works including coordination of National and International fairs. When such a panel exists, financial prudence requires entrustment of any item of work on the basis of competitive offers obtained from the empanelled agencies. But the Department entrusted the works to one or the other agency without inviting offers and without executing any agreement. Payment was made to the agency on the basis of the invoice submitted by it without any further check or scrutiny by the Directorate as there was no approved rate. The agency did not submit detailed vouchers for the expenditure. During 2004-05, out of Rs 8.99 crore spent, Rs 7.87 crore were paid for works executed through one agency. The estimate of expenditure for International Tourism Borse Berlin 2003 and 2004 and International Boat Show 2003 were submitted by the agency only after the proposal was sent to the Government and sanction obtained. The invoice for payment was also for the exact amount in the estimate including items like unforeseen expenditure and telephone charges. When this was pointed out in audit, the Director stated (July 2005) that "as an empanelled agency it is implied that they undertake the promotional activities for the Department professionally and within the limits of financial propriety." The reply is not acceptable as rules of financial propriety require that competitive offers should be obtained from the empanelled agencies and unless there is a lumpsum contract, individual items of expenditure should receive adequate scrutiny.

Management of Guest Houses

Department did not exercise any control on the functioning of Guest Houses

5.1.26 The occupancy percentage in the Guest Houses was found to be very low in test checked cases ranging from 7 *per cent* to 31 *per cent* in 2003-04 and 8 *per cent* to 46 *per cent* in 2004-05. In Guest House, Thrissur while the occupancy rate had fallen from 31 *per cent* (2003-04) to 27 *per cent* (2004-05), electricity charges had gone up from Rs 9.46 lakh to Rs 19.31 lakh during the same period though there was no revision in the electricity tariff. In five[#] Guest Houses test checked, it was observed that the expenditure incurred on their maintenance amounted to Rs 2.29 crore against which the revenue collection was only Rs 57 lakh during 2003-05. The Department had not analysed the reasons for the low occupancy in the Guest Houses and also the

[#] Ernakulam, Kanyakumari, Kovalam, Ponmudi and Thrissur reasons for the wide variations in the maintenance expenditure of the Guest Houses vis-à-vis revenue collected.

5.1.27 According to the Government orders, though no rent is to be collected from the Officers, Ex-Ministers, MLAs, Ex-MLAs, Ex-MPs if the stay is for less than six hours, they were required to make entries in the occupancy registers. It was, however, observed that these instructions were not being complied with.

Provisions of KTC were not followed in handling of cash in Guest Houses

5.1.28 As per the provision of the KTC, the Departmental revenues were required to be remitted into the Treasuries and their utilisation towards revenue expenditure was prohibited. It was, however, observed that the Guest House Managers were appropriating the Departmental revenues for meeting revenue expenditure giving scope for temporary misappropriation of Government money. The transactions of expenditure met from revenues were not recorded in the cash book. The Guest House Managers did not hand over cash balance when they were transferred. In some cases vouchers for the money utilised were handed over and there was no physical transfer of cash. In some other cases, neither the vouchers nor cash was handed over. Guest House Managers prefer the claim for reimbursement from the Directorate and on reimbursement they remit the amount to Treasury. In cases where claims were not admitted due to non-production of vouchers or unsatisfactory vouchers, revenue remained unremitted as indicated below.

5.1.29 In five Guest Houses*, revenue of Rs 18.31 lakh was appropriated for expenditure during the period November 2002 to February 2005. Out of this, Rs 2.47 lakh only were got reimbursed and remitted into Treasury as of June 2005. The balance of Rs 15.84 lakh was neither reimbursed nor realised from the officials concerned and hence not remitted into Treasury (June 2005). In these cases neither the amount was recovered from the persons responsible nor disciplinary action finalised against them by the Department.

Administrative controls

Department was not having a Manual till June 2005

5.1.30 The Department of Tourism did not have a Manual of its own till 2005. A draft submitted by the Director in June 2004, at the instance of Audit, was approved by the General Administration Department in June 2005. Though offices of Regional Joint Directors were created (August 1996) at Ernakulam and Kozhikode as subordinate controlling offices of the respective regions, neither their duties, powers and responsibilities nor their financial delegation were prescribed. Regional Joint Directors, Ernakulam and Kozhikode stated (April 2005) that though separate delegation of financial power was not given to Regional Joint Directors, the duties and responsibilities as subordinate controlling officers were being discharged in good faith so as to carry out the Government functions on the assumption that the rank of Regional Joint Director was equivalent to that of Joint Director at the Directorate. Government had not issued orders delegating financial powers to Regional Joint Directors (August 2005). However, the Regional

* Ernakulam, Thrissur, Munnar, Malappuram and Kovalam

Joint Directors had been incurring expenditure on contingencies. The expenditure incurred by the Regional Joint Directors, Ernakulam and Kozhikode on contingent expenditure during 2004-05 was Rs 22.50 lakh and Rs 13.28 lakh respectively although no financial powers had been delegated to them.

Physical control over assets

5.1.31 No periodical physical verification of stores was conducted in any office under the Directorate *viz.* Central Store, Government Guest Houses and other subordinate offices of the Directorate.

5.1.32 Inventory list of stores was also not maintained in the Bungalows of Ministers. Physical verification of stores and furniture was not being conducted when a Minister vacates the bungalow. The Director stated (July 2005) that necessary instruction had been issued to the officers concerned to conduct physical verification of stores.

Allotment of vehicles without norms

5.1.33 As of May 2005, there were 151 vehicles under the custody of the Assistant Executive Engineer, Garage. Sanctioned strength of vehicles in the Department had not been fixed by the Government. As against the norm (January 2002) of one vehicle for each office, more than one vehicle were allotted to eight offices/ Officers (12 vehicles to two Ministers and 21 vehicles to six Officers). Neither the Directorate nor the General Administration Department (Political) monitors the utilisation of the Government vehicles.

Internal Audit

Internal Audit System was totally lacking

5.1.34 The functions of the internal audit wing include examining, evaluating and maintaining the adequacy of the accounting and internal control systems. It also helps in assessing the organisation's systems and procedures in order to prevent fraud, errors, etc. Internal audit must be independent of the organisation and report directly to top management.

5.1.35 The Public Accounts Committee (PAC) (1993-95) in its 74^{th} Report had recommended that the internal Audit wing of the Department should inspect the accounts of the Guest Houses at least once in three months. They also recommended formation of an independent full fledged audit wing for ensuring concurrent audit. But the Internal Audit wing was not strengthened and was manned by one Inspecting Officer and two clerks only. The Director stated (April 2005) that there was inadequacy of staff in the wing and no regular audit was being conducted. Audit of only the accounts and stores for the purpose of issuing Non-liability Certificate in retirement cases were being conducted by the Internal Audit wing. There are 55 institutions under the Directorate of Tourism. During 1999-2004, audit was conducted only in 31 institutions i.e., on an average 6 institutions in a year. In 24 institutions audit was not conducted during 1999-2004.

Response to Audit

5.1.36 Accountant General (Audit) conducts audit of the Directorate and subordinate offices of the Department and major irregularities are reported through Inspection Reports (IRs). As of June 2005, 142 Paragraphs in 29 IRs issued up to March 2005 were outstanding which included objections from 1998-99 onwards.

5.1.37 As per the KFC, the head of office is to take action to rectify the irregularities pointed out during audit even without waiting for receipt of the IRs. But even after several years of the issuance of IRs, irregularities pointed out were not rectified.

Conclusions

5.1.38 Review of the internal control system revealed that the control system was very weak and the in-built controls were inadequate when compared to the range of activities of the Department. Rules, regulations and orders of the Government on Budget preparation, expenditure controls, etc., were not adhered to. Recommendations of the PAC on adjustment of advances, monitoring the functioning of Guest houses, strengthening the Internal Audit wing, etc., were not acted upon. The control procedures could not ensure the exercise of the duties and responsibilities by the officials concerned for safeguarding the assets and interest of the Department. Provisions of the KTC and the KFC were not followed in the maintenance of records and submission of returns to the Government for financial control and decision making. The system could not also ensure timely implementation of Centrally sponsored and other tourism promotional works and the amount set apart for such works were locked up in bank accounts or with executing agencies. There was no system in place for ensuring accountability in the functioning of Guest Houses. The system could not also provide reasonable assurance against the loss of resources and misappropriation of the Government money.

5.1.39 ***Recommendations***

- Compliance with rules relating to preparation of Budget estimates and Budgetary control may be ensured to avoid persistent savings.

- Prescribed procedures for accountal of cash including handling of cash such as obtaining of fidelity insurance should be strictly adhered to. The controls prescribed for incurring of expenditure including maintenance of proper registers, consolidation of monthly expenditure, watch over timely receipt of monthly expenditure returns and submission of details of monthly expenditure should be strictly enforced.

- Established principles and procedures may be followed in engaging publicity agents.

- Inspection of accounts of the Guest Houses may be conducted once in three months, besides conducting surprise inspections.

- An independent and full-fledged Internal Audit Wing may be set up with mandate to audit all institutions with specific periodicity and to provide reasonable assurance regarding adequacy and effectiveness of internal controls.

Response of the Department

5.1.40 The report was discussed (August 2005) with the Principal Secretary to the Government, General Administration (Tourism) Department who agreed with the recommendations of Audit. He had assured to initiate action for rectifying the defects/omissions pointed out in audit

5.1.41 These points were referred to the Government in August 2005; reply had not been received (September 2005).

Thiruvananthapuram,
The 06 FEB 2006

(ARVIND K. AWASTHI)
Principal Accountant General (Audit), Kerala

Countersigned

New Delhi,
The 08 FEB 2006

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix I

Summarised Financial Position of the Government of Kerala as on 31 March 2005

(Reference: Paragraph 1.4.1; Page 5 and1.8.1; Page 16)

(Rupees in crore)

As on 31 March 2004		Liabilities		As on 31 March 2005
17420.94		**Internal Debt**		**21676.23**
	8220.99	Market Loans bearing interest	9597.30	
	8.31	Market Loans not bearing interest	8.40	
	1944.09	Loans from Life Insurance Corporation of India	2282.26	
	247.69	Loans from General Insurance Corporation of India	273.93	
	479.38	Loans from National Bank for Agriculture and Rural Development	524.62	
	275.46	Loans from National Co-operative Development Corporation	289.57	
	1426.33	Loans from other institutions	1416.60	
	4253.35	Special securities issued to National Small Savings Fund of the Central Government	7048.30	
	284.70	Ways and Means Advances from Reserve Bank of India excluding Overdrafts	235.25	
	280.64	Overdrafts from Reserve Bank of India	..	
5627.96		**Loans and Advances from Central Government**		**5410.82**
	155.64	Pre – 1984-85 Loans	126.80	
	370.09	Non-Plan Loans	195.93	
	5041.40	Loans for State Plan Schemes	5023.40	
	11.09	Loans for Central Plan Schemes	10.01	
	49.74	Loans for Centrally Sponsored Plan Schemes	54.68	
8.12		**Contingency Fund**		**84.96**
14403.33		**Small Savings, Provident Funds, etc.**		**14790.83**
1579.81		**Deposits**		**1496.96**
199.23		**Reserve Funds**		**321.72**
39239.39		**Total - Liabilities**		**43781.52**

Appendix I – *Concld.*

(Rupees in crore)

As on 31 March 2004		Assets		As on 31 March 2005
9832.88		**Gross Capital Outlay on Fixed Assets –**		10514.62
	2150.70	Investments in share of Companies, Corporations, etc.	2230.75*	
	7682.18	Other Capital Outlay	8283.87#	
5041.75		**Loans and Advances –**		5143.01
	2510.87	Loans for Power Projects	2577.80	
	2377.61	Other Development Loans	2444.05	
	153.27	Loans to Government servants and Miscellaneous loans	121.16	
4.56		**Reserve Fund Investments**		4.56
1.51		**Advances**		0.47
127.37@		**Suspense and Miscellaneous Balances**		31.90@
443.55		**Remittance Balances**		422.61
(-)226.64		**Cash-**		(-)93.96
	28.89	Cash in Treasuries	47.81	
	(-)254.13	Deposits with Reserve Bank	(-)130.06	
	(-)16.40	Remittances in transit - Local	(-)25.06	
	2.35	Departmental Cash Balance	0.69	
	0.20	Permanent Advances	0.21	
	12.45	Cash Balance Investments	12.45	
24014.41		**Deficit on Government Account –**		27758.31
	3680.30	(i) Revenue Deficit of the current year 3668.92		
	20334.11	(ii) Accumulated deficit upto previous year 24014.41		
		(iii) *Add:* Appropriation to Contingency Fund 75.00		
		(iv) *Less:* Miscellaneous Capital Receipts 0.02		
39239.39		**Total – Assets**		43781.52

@ Higher rounding.

* Figures adopted as per Statement No. 2 of the Finance Accounts 2004-05. However, the figures exhibited in Statement No.14 differs by Rs 39.59 crore owing to exclusion of investment in development of infrastructure facilities to Kannur Airport (Rs 4.59 crore) and Thiruvananthapuram Airport Development Society (Rs 35 crore) – Refer footnote qq(i) of Statement No. 14 of the Finance Accounts 2004-05

The net value of assets and liabilities of the erstwhile Public Health Engineering Department (PHED) taken over by the Kerala Water Authority on 1 April 1984 was provisionally valued at Rs 435.53 crore and incorporated in the accounts of the Authority. As the valuation had not been approved by the Government under Section 16 (2) of the Act the investment shown in the Government accounts against PHED had not been adjusted.

Appendix II
Abstract of Receipts and Disbursements for the year 2004-05
(Reference: Paragraph 1.4.1; Page 5)

(Rupees in crore)

Receipts				Disbursements					
2003-04			2004-05	2003-04					2004-05
	<u>Section – A: Revenue</u>					Non-Plan	Plan	Total	
11815.37	**I. Revenue Receipts**		**13500.49**	**15495.67**	**1. Revenue Expenditure**	**14063.40**	**3106.01**	**17169.41**	**17169.41**
8088.77	Tax Revenue	8963.65		**7397.93**	**General Services**	**7832.54**	**153.27**	**7985.81**	
806.98	Non-Tax Revenue	819.09		**5025.21**	**Social Services**	**4776.82**	**1102.58**	**5879.40**	
2012.01	State's share of Union Taxes and Duties	2404.95		3080.12	Education, Sports, Art and Culture	3140.78	113.41	3254.19	
210.54	Non-plan Grants	379.84		831.70	Health and Family Welfare	731.45	159.54	890.99	
369.74	Grants for State Plan Schemes	628.45		399.14	Water Supply, Sanitation, Housing and Urban Development	187.80	466.28	654.08	
327.33	Grants for Central Plan and Centrally Sponsored Plan Schemes	304.51		10.88	Information and Broadcasting	7.26	4.65	11.91	
--	Grants for special plan schemes	--		230.01	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	79.66	165.75	245.41	
				91.37	Labour and Labour Welfare	127.74	45.13	172.87	
				371.13	Social Welfare and Nutrition	484.76	147.82	632.58	
				10.86	Others	17.37	--	17.37	
				2999.35	**Economic Services:**	**1456.68**	**1850.16**	**3306.84**	
				646.68	Agriculture and allied activities	501.16	255.14	756.30	
				761.20	Rural Development	344.18	945.97	1290.15	
				12.63	Special Areas Programmes	--	12.53	12.53	
				179.73	Irrigation and Flood control	179.47	11.72	191.19	
				577.86	Energy	0.66	61.05	61.71	
				191.75	Industry and Minerals	38.52	155.72	194.24	
				455.62	Transport	320.39	242.77	563.16	
				37.96	Science, Technology and Environment	16.62	37.02	53.64	
				135.92	General Economic Services	55.68	128.24	183.92	
				73.18	**Grants-in-aid and Contributions**	**(-) 2.64**	--	**(-) 2.64**	
3680.30	**II. Revenue Deficit carried over to Section B**		**3668.92**						
15495.67	**Total - Section A**		**17169.41**	**15495.67**	**Total - Section A**				**17169.41**

Appendix II – *Contd.*

(Rupees in crore)

Receipts				Disbursements					
2003-04			2004-05	2003-04					2004-05
	Section B:					**Non-Plan**	**Plan**	**Total**	
(-) 103.22	**III. Opening Cash Balance including Permanent Advances and Cash Balance Investment**		(-) 226.64	164.85	**III. Opening Overdraft from Reserve Bank of India**				280.64
--	**IV. Miscellaneous Capital Receipts**		0.02	639.71	**IV. Capital Expenditure**	**24.65**	**657.09**	**681.74**	**681.74**
				39.50	**General Services:**	**2.54**	**39.39**	**41.93**	
				56.08	**Social Services:**	**(-) 0.71***	**90.59**	**89.88**	
				14.69	Education, Sports, Art and Culture		25.89	25.89	
				22.68	Health and Family Welfare		30.28	30.28	
				1.93	Water Supply, Sanitation, Housing and Urban Development	(-) 0.68*	2.41	1.73	
				10.48	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes		28.23	28.23	
				5.81	Social Welfare and Nutrition		3.68	3.68	
				--	Labour and Labour Welfare		--	--	
				0.49	Others	(-) 0.03*	0.10	0.07	
				544.13	**Economic Services:**	**22.82**	**527.11**	**549.93**	
				38.54	Agriculture and allied activities	3.63	29.57	33.20	
				159.20	Irrigation and Flood Control	18.94	156.24	175.18	
				--	Energy	--	--	--	
				30.55	Industry and Minerals	--	74.53	74.53	
				260.59	Transport	0.25	251.75	252.00	
				55.25	General Economic Services	--	15.02	15.02	

* Minus expenditure is due to receipt and recoveries on capital account more than the debit for the year

Appendix II – *Concld.*

(Rupees in crore)

Receipts				Disbursements			
2003-04			2004-05	2003-04			2004-05
72.89	**V. Recoveries of Loans and Advances**		**95.23**	**1291.94**	**V. Loans and Advances Disbursed**		**196.49**
--	From Power Projects	--		1173.90	For Power Projects	66.93	
41.97	From Government Servants	36.93		3.86	To Government Servants	4.82	
30.92	From Others	58.30		114.18	To Others	124.74	
	VI. Revenue Surplus brought down			**3680.30**	**VI. Revenue Deficit brought down**		**3668.92**
6992.46	**VII. Public Debt Receipts**		**6596.22**	**2341.25**	**VII. Repayment of Public Debt**		**2277.43**
6023.56	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	5114.11		466.16	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	528.73	
0.73	Net transactions under Ways and Means Advances excluding overdraft	--		--	Net transactions under Ways and Means Advances excluding overdraft	49.45*	
968.17	Loans and Advances from Central Government	1482.11		1875.09	Repayment of Loans and Advances to Central Government	1699.25	
--	**VIII. Appropriation from the Consolidated Fund to Contingency Fund**		**75.00**	--	**VIII. Appropriation to Contingency Fund**		**75.00**
--	**IX. Amount transferred to Contingency Fund**		**16.88**	**16.88**	**IX. Expenditure from Contingency Fund**		**15.04**
26147.18	**X. Public Account Receipts**		**33681.02**	**25481.66**	**X. Public Account Disbursements**		**33136.43**
8773.13	Small Savings, Provident Funds, etc.	7896.44		7148.17	Small Savings, Provident Funds, etc.	7508.94	
133.70	Reserve Funds	358.13		125.36	Reserve Funds	235.64	
3320.48	Deposits and Advances	2231.11		4269.94	Deposits and Advances	2312.92	
9476.50	Suspense and Miscellaneous	18318.31		9371.31	Suspense and Miscellaneous	18222.84	
4443.37	Remittances	4877.03		4566.88	Remittances	4856.09	
280.64	**XI.- Closing Overdraft from Reserve Bank of India**		--	**(-) 226.64**	**XI. Cash Balance at end**		**(-) 93.96**
				28.89	Cash in Treasuries	47.81	
				(-) 16.40	Local Remittances	(-) 25.06@	
				(-) 254.13	Deposits with Reserve Bank	(-) 130.06	
				2.55	Departmental cash balance including Permanent Advance	0.90	
				12.45	Cash Balance Investment	12.45	
33389.95	**Total – Section B**		**40237.73**	**33389.95**	**Total – Section B**		**40237.73**

* Represents receipts: Rs 4485.31 crore and disbursements: Rs 4534.76 crore

@ Minus balance represents remittances between treasuries and currency chests remaining unadjusted on 31 March 2005

Appendix III
Sources and Application of Funds
(Reference: Paragraph 1.4.1; Page 5)

(Rupees in crore)

2003-04	Sources	2004-05	
11815.37	**1. Revenue receipts**		13500.49
72.89	**2. Recoveries of Loans and Advances**		95.23
4651.21	**3. Increase in Public debt other than overdraft**		4318.79
115.79	**4. Increase in overdraft**		..
--	**5. Miscellaneous Capital Receipts**		0.02
665.52	**6. Net receipts from Public account**		544.59
1624.96	Increase in Small Savings, Provident Funds, etc.	387.50	
(-)949.46	Net effect in Deposits and Advances	(-) 81.81	
8.34	Net effect in Reserve Funds	122.49	
105.19	Net effect of Suspense and Miscellaneous transactions	95.47	
(-)123.51	Net effect of Remittance transactions	20.94	
--	**7. Net effect of Contingency Fund transactions**		76.84
123.42	**8. Decrease in closing cash balance**		--
17444.20	**Total**		**18535.96**
	Application		
15495.67	**1. Revenue expenditure**		17169.41
1291.94	**2. Lending for development and other purposes**		196.49
639.71	**3. Capital expenditure**		681.74
--	**4. Decrease in overdraft**		280.64
16.88	**5. Net effect of Contingency Fund transactions**		--
--	**6. Appropriation to Contingency Fund**		75.00
--	**7. Increase in cash balance**		132.68
17444.20	**Total**		**18535.96**

Explanatory Notes

1. The abridged accounts in Appendices I to III have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Appendix I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable, depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs 40.02 lakh (net credit) between the figures reflected in the accounts and that intimated by the Reserve Bank of India under "Deposit with Reserve Bank". Out of the difference, a net debit of Rs 1.49 lakh had been cleared and the balance of Rs 41.51 lakh (net credit) is under reconciliation (August 2005).

Appendix IV

Time Series Data on State Government Finances

(Reference: Paragraph 1.4.1; Page 5 and 1.8.1; Page 17)

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Part A. Receipts					
1. Revenue Receipts	**8731**	**9056**	**10634**	**11815**	**13500**
(i) Tax Revenue	***5870(67)***	***5924 (65)***	***7303 (69)***	***8089 (68)***	***8963 (66)***
Taxes on Sales, Trade, etc.	4344(74)	4441(75)	5343 (73)	5991 (74)	6701 (75)
State Excise	689(11)	541(09)	663 (09)	656 (08)	746 (08)
Taxes on Vehicles	395(07)	452(08)	513 (07)	586 (07)	610 (07)
Stamps and Registration fees	341(06)	394(07)	487(07)	550 (07)	775 (09)
Land Revenue	39(01)	35(#)	38 (#)	40 (#)	44 (#)
Taxes on Agricultural Income	4 (#)	2(#)	6(#)	9 (#)	5 (#)
Other Taxes	58(01)	59(01)	253 (04)	257 (04)	82 (01)
(ii) Non Tax Revenue	***659(08)***	***543(06)***	***678 (06)***	***807 (07)***	***819 (06)***
(iii)State's share in Union taxes and duties	***1586(18)***	***1614(18)***	***1715 (16)***	***2012 (17)***	***2405 (18)***
(iv) Grants in aid from GOI	***616(07)***	***975(11)***	***938 (09)***	***907 (08)***	***1313 (10)***
2. Miscellaneous Capital Receipts	--	--	**04**	--	--($)
3. Total revenue and Non debt capital receipts (1+2)	**8731**	**9056**	**10638**	**11815**	**13500**
4. Recovery of Loans and Advances	**117**	**55**	**77**	**73**	**95**
5. Public Debt Receipts	**2156**	**2792**	**3966**	**6992**	**6596**
Internal Debt (excluding Ways & Means Advances and Overdraft)	1491	2011	2717	6023	5114
Net transactions under Ways and Means Advances excluding Overdraft	182	*	56	1	--
Loans and advances from Government of India@	483	781	1193	968	1482
6. Total receipts in the Consolidated Fund (3+4+5)	**11004**	**11903**	**14681**	**18880**	**20191**
7. Contingency Fund Receipts	--	--	**22**	--	**92**
8. Public Account receipts	**21126**	**18940**	**25528**	**26147**	**33681**
9. Total receipts of State (6+7+8)	**32130**	**30843**	**40231**	**45027**	**53964**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**11878(93)**	**11662(94)**	**14756 (94)**	**15495 (89)**	**17169 (95)**
Plan	*1941(16)*	*1766(15)*	*3054 (21)*	*2394(15)*	*3106 (18)*
Non Plan	*9937(84)*	*9896(85)*	*11702 (79)*	*13101 (85)*	*14063(82)*
General Services (incl. Interest payment)	5457(46)	5611(48)	6678 (45)	7398 (48)	*7986 (47)*
Social Services	4188(35)	4076(35)	5038 (34)	5025 (32)	5879 (34)
Economic Services	2178(18)	1908(16)	2982 (20)	2999 (19)	3307 (19)
Grants-in-aid and Contributions	55(01)	67(01)	58 (01)	73 (01)	(-) 03
11.Capital Expenditure	**577(05)**	**558(05)**	**699 (04)**	**640 (04)**	**682 (04)**
Plan	*581(101)*	*547(98)*	*679 (97)*	*607 (95)*	*657 (96)*
Non Plan	*(-) 04 (-01)*	*11(02)*	*20 (03)*	*33 (05)*	*25 (04)*
General Services	39(07)	26(04)	41 (06)	40 (06)	*42 (06)*
Social Services	58(10)	59(11)	83 (12)	56 (09)	90 (13)
Economic Services	480(83)	473(85)	575 (82)	544 (85)	550 (81)
12. Disbursement of Loans and Advances	**271(02)**	**160(01)**	**250 (02)**	**1292 (07)**	**196 (01)**
13. Total (10+11+12)	**12726**	**12380**	**15705**	**17427**	**18047**

Insignificant
$ Only Rs 2,28,800
* Less than Rs 1 crore.
@ Includes Ways and Means Advances from GOI

Appendix IV – *Concld.*

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
14. Repayment of Public Debt	**423**	**751**	**1262**	**2341**	**2277**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	139	215	258	466	529
Net transactions under Ways and Means Advances excluding Overdrafts	--	--	--	--	49
Loans and Advances from Government of India[@]	284	536	1004	1875	1699
15. Appropriation to Contingency Fund	--	--	--	--	**75**
16. Total disbursement out of Consolidated Fund (13+14+15)	**13149**	**13131**	**16967**	**19768**	**20399**
17.Contingency Fund disbursements	--	**22**	--	**17**	**15**
18. Public Account disbursements	**19218**	**17467**	**23418**	**25482**	**33136**
19. Total disbursement by the State (16+17+18)	**32367**	**30620**	**40385**	**45267**	**53550**
Part C. Deficits					
20. Revenue Deficit (1-10)	**3147**	**2606**	**4122**	**3680**	**3669**
21. Fiscal Deficit (3+4-13)	**3878**	**3269**	**4990**	**5539**	**4452**
22. Primary Deficit (21-23)	**1620**	**780**	**2043**	**2211**	**839**
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	2258	2489	2947	3328	3613
24. Arrears of Revenue[✧] (Percentage of Tax & non -Tax Revenue Receipts)	978(15)	1037(16)	1411 (18)	105[$] (1)	1748 (18)
25. Financial Assistance to local bodies, etc.	3262	2921	4213	5453	4706
26. Ways & Means Advances/Overdrafts availed (days)	363	359	359	333	354
27. Interest on WMA/Overdraft	13	23	21	24	21
28. Gross State Domestic Product (GSDP) at current prices	69770	72349	80844	90172	100327[♦]
29. Outstanding Fiscal Liabilities (year end)	25721	29025	33782	39231	43697
30. Outstanding guarantees including interest (year end)	9553	11818	12623	14009	12316
31. Maximum amount guaranteed (year end)	12798	14122	14923	15613	14783
32. Number of incomplete projects/works	104	101	89	104	98
33. Capital blocked in incomplete projects/works[#]	1743	1808	938	1194	1250

Note: Figures in brackets represents percentages (rounded) to total of each sub-heading

[@] Includes Ways and Means Advances from GOI.

[✧] Source: Audit Report (Revenue Receipts) of respective years.

[$] Electrical Inspectorate did not include arrears of electricity duty due from Kerala State Electricity Board as on 31 March 2002 because Government ordered (October 2002) netting off of the dues between the Board and Government as on 31 March 2002.

[♦] Figures as given in the Medium Term Fiscal Plan

[#] Represents progressive amount blocked in incomplete projects/works at the end of the year based on figures collected from departmental heads.

Appendix V
(Reference: Paragraph 1.4.1 ; Page 5)

Part A – Government Accounts

I. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B - List of terms used in the Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/previous year Amount) –1] * 100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate	Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth – Weighted Interest Rate
Interest received as *per cent* to outstanding loans and advances	(Interest Received / Closing balance of Loans and Advances)*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipt minus Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt

Appendix VI
List of Autonomous Institutions which had not rendered accounts for the year 2004-05

(Reference: Paragraph 1.7.8; Page 16)

Sl. No	Name of the Institution
1.	University of Kerala
2.	Mahatma Gandhi University
3.	Sree Sankaracharya University of Sanskrit
4.	Kerala Rural Water Supply and Sanitation Agency
5.	Centre for Earth Science Studies
6.	Tropical Botanical Garden and Research Institute
7.	Rajeev Gandhi Centre for Development of Bio-technology
8.	Kerala Information Technology Services Society
9.	Regional Cancer Centre
10.	Primary Development Society of Kerala – SSA
11.	Kerala Cashew Workers Relief and Welfare Fund Board
12.	Kerala Fishermen Welfare Fund Board
13.	Kerala State Chalachitra Academy
14.	Technopark – Kerala
15.	Centre for Development Studies
16.	Centre for Development of Imaging Technology
17.	Kerala Sahitya Academy
18.	Kerala Lalithakala Academy
19.	Kerala Sangeetha Nataka Academy
20.	State Institute of Children's Literature
21.	Bharat Scouts and Guides
22.	Sabarimala Sanitation Society
23.	Kerala Aviation Training Centre
24.	Trivandrum Development Authority

Appendix VII
Status of submission of accounts as of August 2005 by bodies/authorities
(Reference: Paragraph 1.7.9; Page 16)

Sl. No.	Name of body	Section under which entrusted	Date of entrustment	Year up to which entrusted	Year up to which accounts were due	Year up to which accounts were submitted	Year up to which Audit Reports were issued
1	Command Area Development Authority	19(3)	3 August 2000	2004-05	2004-05	2003-04	2002-03
2	Kerala Institute of Labour and Employment	20(1)	29 June 2002	2006-07	2004-05	2003-04	2001-02
3	Kerala Khadi and Village Industries Board	19(3)	20 January 1999	2002-03	2004-05	2001-02	2000-01
4	Kerala State Commission for Backward classes	19(3)	25 March 2002	2006-07	2004-05	2002-03	2001-02
5	Kerala Water Authority	19(3)	3 March 2005	2008-09	2004-05	2002-03	2001-02
6	Kerala State Human Rights Commission	19(2)	4 August 1997	1998-99 onwards	2004-05	2003-04	2003-04
7	Kerala Building and Other Construction Workers' Welfare Board	19(2)	20 November 2001	1998-99 onwards	2004-05	2002-03	2002-03
8	(i) Kerala State Legal Services Authority	19(2)	3 December 1997	1998-99 onwards	2004-05	2003-04	2003-04
	(ii) Fourteen District Legal Services Authorities (DLSA)	19(2)	3 December 1997	1998-99 onwards	2004-05	@	@

@ Out of 14 DLSAs, DLSA, Kasaragod had submitted the accounts up to 2003-04 and the remaining DLSAs had not submitted their accounts.

Appendix VIII
Statement showing cases of misappropriations, defalcations, etc., reported up to March 2005 and pending finalisation as at the end of June 2005
(Reference: Paragraph 1.7.10 ; Page 16)

(Rupees in lakh)

Sl. No.	Name of Department	Cases reported upto March 2001		Cases reported during								Total	
				2001-02		2002-03		2003-04		2004-05			
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	Agriculture	3	1.99	-	-	1	1.84	2	88.06	2	3.08	8	94.97
2.	Animal Husbandry	2	0.02	-	-	-	-	3	4.86	-	-	5	4.88
3.	Cultural affairs (Archives)	1	0.20	-	-	-	-	-	-	-	-	1	0.20
4.	Finance												
	(i) National savings	1	0.45	-	-	-	-	-	-	-	-	1	0.45
	(ii) Treasuries	11	110.77	1	0.21	1	0.29	1	23.54	2	76.17	16	210.98
5.	Fisheries and Ports	1	1.32	-	-	-	-	2	4.39	-	-	3	5.71
6.	Forest and Wildlife	-	-	1	8.06	-	-	7	26.28	-	-	8	34.34
7.	Food, Civil Supplies and Consumer Affairs Department	1	11.87	-	-	-	-	-	-	-	-	1	11.87
8.	General Education	21	36.75	1	0.13	1	0.15	-	-	3	10.40	26	47.43
9.	Health and Family Welfare												
	(i) Health Services	6	7.89	-	-	2	2.16	2	2.76	3	152.73	13	165.54
	(ii) Medical Education	3	3.67	-	-	-	-	-	-	1	15.00	4	18.67
	(iii) Indian Systems of Medicine	-	-	-	-	-	-	1	1.84	-	-	1	1.84
10.	Higher Education (Collegiate Education)	5	1.09	-	-	4	4.88	1	0.20	-	-	10	6.17
	Technical Education	-	-	-	-	-	-	-	-	1	7.44	1	7.44
11.	Home (Police)	2	0.42	-	-	-	-	-	-	-	-	2	0.42
12.	Industries	1	0.18	-	-	-	-	2	0.47	-	-	3	0.65
13.	Labour and Rehabilitation Department	-	-	-	-	-	-	-	-	1	0.33	1	0.33
14.	Local Self Government (Rural)	2	2.63	-	-	-	-	1	0.82	-	-	3	3.45
15.	Public Works												
	(i) Buildings	7	3.14	-	-	1	2.50	1	4.37	1	0.08	10	10.09
	(ii) Roads and Bridges	6	2.77	-	-	1	3.31	-	-	-	-	7	6.08
16.	Revenue												
	(i) Land Revenue	2	7.86	-	-	-	-	-	-	-	-	2	7.86
	(ii) Survey and Land Records	1	5.60	-	-	-	-	-	-	-	-	1	5.60
17.	Taxes (Lotteries)	1	3.43	-	-	-	-	-	-	-	-	1	3.43
	Commercial Taxes	-	-	-	-	1	3.58	-	-	-	-	1	3.58
18.	Scheduled Castes/ Scheduled Tribes Development	1	0.17	-	-	-	-	1	1.56	-	-	2	1.73
19.	Water Resources	19	25.25	-	-	2	10.20	2	0.36	2	13.39	25	49.20
20.	Transport – Motor Vehicles	-	-	-	-	-	-	2	10.38	2	4.30	4	14.68
Total		**97**	**227.47**	**3**	**8.40**	**14**	**28.91**	**28**	**169.89**	**18**	**282.92**	**160**	**717.59**

Appendix IX
Department-wise details of Writes off of losses, etc.
(Reference: Paragraph 1.7.11; Page 16)

Sl. No.	Name of Department	Writes off		Waivers	
		Number of cases	Amount *(Rupees in lakh)*	Number of cases	Amount *(Rupees in lakh)*
1.	Agriculture	19	2.06	4	0.69
2.	Animal Husbandry	14	1.14	0	0.00
3.	Co-operation	7	0.25	10	1.29
4.	Cultural Affairs	9	0.13	0	0.00
5.	Finance	7	7.00	3	0.34
6.	Fisheries and Ports	1	0.04	0	0.00
7.	Forest and Wildlife	4	2.17	0	0.00
8.	General Administration	12	8.00	10	5.38
9.	General Education	9	1.62	1	0.17
10.	Health and Family Welfare	228	11.00	2	0.50
11.	Higher Education	6	3.61	2	0.17
12.	Home	12	5.60	5	0.63
	Judiciary	5	5.00	0	0.00
13.	Housing	8	6.41	0	0.00
14.	Industries	2	0.14	0	0.00
15.	Labour and Rehabilitation	7	0.37	0	0.00
16.	Legal Metrology	1	0.06	0	0.00
17.	Local Self Government	3	0.81	0	0.00
18.	Mining and Geology	0	0.00	1	3.10
19.	Parliamentary Affairs	1	0.23	0	0.00
20.	Planning and Economic Affairs	1	1.86	1	0.14
21.	Power	1	0.01	0	0.00
22.	Printing	1	0.02	0	0.00
23.	Revenue	10	2.22	0	0.00
24.	Scheduled Castes and Scheduled Tribes Development	3	4.52	1	0.13
25.	Social Welfare	8	2.27	0	0.00
26.	Sports and Youth Affairs	2	0.58	0	0.00
27.	Taxes	1	1.45	1	0.21
28.	Technical	2	0.01	0	0.00
Total		**384**	**68.58**	**41**	**12.75**

Appendix X

List of Statutory Corporations and Government Companies having accumulated loss and investment in them by Government

(Reference: Paragraph 1.8.6; Page 18)

Sl. No.	Name of concern	Government investment as of 31 March 2005[$]	Accumulated loss[#]	Period up to which accounts were finalised
		(Rupees in crore)		
1.	The Kerala Financial Corporation	141.99	70.83	2004-05
2.	Kerala State Road Transport Corporation	119.74	1139.94	2002-03
3.	Kerala Industrial Infrastructure Development Corporation	88.24	2.83	2004-05
4.	The Kerala Fisheries Corporation Limited[•]	4.85	11.05	1984-85
5.	Kerala Tourism Development Corporation Limited	48.05	2.73	2000-01
6.	The Travancore – Cochin Chemicals Limited	16.91	5.55	2003-04
7.	Kerala Construction Components Limited	0.28	2.75	2001-02
8.	Kerala State Industrial Development Corporation Ltd.	294.74	16.75	2003-04
9.	The Kerala Premo Pipe Factory Limited[•]	1.31	0.19	1985-86
10.	The Plantation Corporation of Kerala Limited	5.57	17.06	2002-03
11.	The Kerala Ceramics Limited	5.24	29.87	2002-03
12.	The Kerala Agro-Industries Corporation Limited	3.05	8.54	1999-2000
13.	Trivandrum Spinning Mills Limited	7.73	17.28	2002-03
14.	Kerala Electrical and Allied Engineering Company Limited	38.55	61.78	2002-03
15.	Kerala Soaps and Oils Limited	2.99	37.40	1994-95
16.	Travancore Plywood Industries Limited	0.49	23.04	2001-02
17.	Trivandrum Rubber Works Limited	2.75	22.76	1998-99
18.	Kerala State Handloom Development Corporation Limited	10.73	14.01	2002-03
19.	Handicrafts Development Corporation of Kerala Limited	1.94	3.34	1999-2000
20.	The Kerala State Cashew Development Corporation Limited	48.87	383.41	2001-02
21.	Chalakudy Refractories Limited[•]	3.47	3.36	1989-90
22.	Kerala State Coir Corporation Limited	8.04	8.33	2001-02
23.	Kerala State Drugs and Pharmaceuticals Limited	1.80	10.60	1994-95
24.	Sitaram Textiles Limited	5.94	35.76	2003-04
25.	Kerala State Textiles Corporation Limited	17.88	45.65	2004-05
26.	The Kerala Land Development Corporation Limited	6.71	44.82	2000-01
27.	Kerala State Electronics Development Corporation Limited	88.16	396.37	2003-04
28.	The Travancore Sugars and Chemicals Limited	0.32	5.45	2003-04
29.	The Kerala State Civil Supplies Corporation Limited	8.56	384.43	2002-03
30.	Scooters Kerala Limited	2.20	12.40	2002-03
31.	Kerala Automobiles Limited	3.47	0.08	2003-04
32.	Steel Industrials Kerala Limited	27.92	40.46	2003-04

[$] Source – Statement No. 14 of Finance Accounts 2004-05

[#] Audited figures mentioned in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2005

[•] Under liquidation

Appendix X – *Concld.*

Sl. No.	Name of concern	Government investment as of 31 March 2005$	Accumulated loss#	Period up to which accounts were finalised
		(Rupees in crore)		
33.	Kerala State Construction Corporation Limited	0.88	19.46	2003-04
34.	Kerala State Film Development Corporation Limited	18.13	17.67	2001-02
35.	Kerala Livestock Development Board Limited	6.03	2.47	2000-01
36.	Kerala State Coconut Development Corporation Limited	2.85	11.38	1993-94
37.	Kerala Small Industries Development Corporation Limited	18.16	40.96	2002-03
38.	Kerala Fishermen's Welfare Corporation Limited*	0.42	1.00	1982-83
39.	Kerala State Engineering Works Limited*	0.46	1.51	1991-92
40.	Metropolitan Engineering Company Limited	2.52	9.00	1999-2000
41.	The Kerala State Handicapped Persons' Welfare Corporation Limited	2.01	0.59	1994-95
42.	Kerala Artisans' Development Corporation Limited	1.93	2.17	2000-01
43.	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	13.80	0.49	1992-93
44.	Transformers and Electricals Kerala Limited	11.20	57.58	2003-04
45.	The Metal Industries Limited	0.47	1.99	2003-04
46.	Meat Products of India Limited	0.98	5.89	2001-02
47.	Kerala Special Refractories Limited*	2.91	2.08&	1996-97
48.	Kerala State Poultry Development Corporation Limited	1.00	3.66	2002-03
49.	Kerala State Women's Development Corporation Limited	6.79	0.31	1994-95
50.	Kerala State Horticultural Products Development Corporation Limited	5.22	1.92	1998-99
51.	Kerala Hitech Industries Limited	20.56	16.18	2003-04
52.	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	1.16	2003-04
53.	Steel Complex Limited	3.00	50.27	2004-05
54.	Kerala State Wood Industries Limited*	1.35	6.54	1989-90
55.	Kerala State Maritime Development Corporation	8.86	2.97	2003-04
56.	Kerala State Mineral Development Corporation Limited	1.26	0.54&	2002-03
57.	Kerala Feeds Ltd.	20.74	0.40	2003-04
58.	Autokast Limited	1.00	124.08	2003-04
59.	Kerala State Ex-servicemen Development and Rehabilitation Corporation	0.50	0.25	2004-05
60.	Kerala State Bamboo Corporation Limited	6.11	0.77	2001-02
61.	Bekal Resorts Development Corporation Limited	39.95	0.53	2004-05
62.	Traco Cable Company Limited	12.82	17.66	2002-03
		1230.90	**3260.30**	

$ Source – Statement No. 14 of Finance Accounts 2004-05

Audited figures mentioned in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2005

* Under liquidation

* Under lockout from Ist June 1993

& Based on figures in Statement No. 14 of Finance Accounts 2004-05

Appendix XI
Arrears in preparation of Pro forma Accounts by Departmental Commercial Undertakings
(Reference: Paragraph 1.8.8; Page 19)

Department	Number of undertakings	Name of undertaking/trading scheme	Year for which accounts are due
Finance	1	Kerala State Insurance Department	1992 to 2004
General Education	1	Text Book Office, Thiruvananthapuram.	1987-88 to 2004-05
Public Works and Transport	1	State Water Transport Department, Alappuzha.	1999-2000 to 2004-05
Home	1	Rubber Plantation at Open Prison, Nettukaltheri	2003-04 and 2004-05
Agriculture (Animal Husbandry)	3	Intensive Poultry Development Block, Muvattupuzha.	1993-94 to 1996-97, 2003-04 and 2004-05
		Intensive Poultry Development Block, Pettah	1994-95, 1995-96, 2001-02, 2002-03 and 2003-04** (up to 31.10.2003)
		Feed Compounding Unit, Chengannur*	2003-04 and 2004-05

** The institution was transferred to Kerala State Poultry Development Corporation with effect from 01 November 2003.

* Formerly Poultry Feed Manufacturing and Distribution Scheme, Chengannur.

Appendix XII
Areas in which major savings occurred
(Reference: Paragraph 2.3.1; Page 31)

(Rupees in crore)

Grant No./ Major Head	Areas in which major savings occurred	Savings
	REVENUE (VOTED)	
II	**Heads of States, Ministers and Headquarters Staff**	
2052	Modernising Government Programme (MGP)	10.08
3451	Implementation Plan under MGP	51.34
3451	Land Acquisition and Infrastructure Development	20.00
XVI	**Pensions and Miscellaneous**	
2071	Pension benefits to employees of State aided Educational Institutions	72.91
2071	Family Pension	63.45
2071	Gratuities	19.17
XVII	**Education, Sports, Art and Culture**	
2202	Assistance to Non-Government Primary Schools	89.58
2202	Government Secondary Schools	71.63
2202	Government Primary Schools	66.05
2202	Higher Secondary Education	42.18
XVIII	**Medical and Public Health**	
2210	Hospitals and Dispensaries	26.10
2210	District and Taluk Hospitals	23.69
XX	**Water Supply and Sanitation**	
2215	Grant-in-aid to Kerala Water Authority	199.78
XXII	**Urban Development**	
2217	Plan Assistance for Local Area Plan Programme	71.71
2217	Valmiki Ambedker Awaz Yojana	20.00
2217	Maintenance grant-second State Finance Commission	15.61
XXV	**Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes**	
2225	Pooled fund for SCP	46.90
2225	Economic Development Scheme for SCs utilising Special Central Assistance	13.01
2225	Assistance to Gram Panchayats	20.48
XXIX	**Agriculture**	
2702	Minor Irrigation Project maintenance	15.53
2415	Grant-in-aid to Kerala Agricultural University	12.13
2402	Soil and Water Conservation on water shed basins	11.50
XXX	**Food**	
2408	Reimbursement of Price Difference to Food Corporation of India	111.00
2408	Assistance to Public Sector and other Undertakings	20.00
XXXV	**Panchayat**	
2515	Plan assistance to Grama Panchayat for Local Area Plan Programme	184.94
2515	Plan assistance to Zilla Panchayats/District level Panchayat for Local Area Plan Programme	60.09
2515	Plan assistance to Block Panchayats for Local Area Plan Programme	42.25
	CAPITAL (VOTED)	
XXVIII	**Miscellaneous Economic Services**	
5475	Rural Infrastructure Development Fund	100.00
5475	Equity Contribution towards Kerala Infrastructure Investment Fund Board	35.00
XXIX	**Agriculture**	
4402	Infrastructural Development for intensive crop production	8.10
4402	Pokkali land Development Project	4.00
4402	Implementation of Drainage and Flood Protection	4.00
XXXVII	**Industries**	
4859	Infrastructure for Technopark/Info Park	30.00
4885	Investment in Kerala State Industrial Development Corporation	16.70
4885	Investment in Kerala Financial Corporation	11.00
	REVENUE (CHARGED)	
	Debt Charges	
2049	Interest on loans for Non-plan schemes	167.07

Appendix XIII

Significant cases of savings in grants/appropriations
(Reference: Paragraph 2.3.1 ; Page 31)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Total grant/ appropriation	Amount of savings (Percentage)
	Revenue-Voted			
1.	II	Heads of States, Ministers and Headquarters Staff	294.47	142.84 (49)
2.	VI	Land Revenue	145.56	42.92 (29)
3.	VII	Stamps and Registration	52.35	8.93 (17)
4.	X	Treasury and Accounts	60.32	8.28 (14)
5.	XII	Police	645.28	87.09 (13)
6.	XIII	Jails	40.12	12.54 (31)
7.	XIV	Stationery and Printing and Other Administrative Services	111.99	12.20 (11)
8.	XV	Public Works	758.44	82.92 (11)
9.	XVII	Education, Sports, Art and Culture	3791.83	476.93 (13)
10.	XVIII	Medical and Public Health	930.64	146.00 (16)
11.	XX	Water Supply and Sanitation	479.25	216.48 (45)
12.	XXII	Urban Development	442.68	123.39 (28)
13.	XXIV	Labour and Labour Welfare	217.99	44.46 (20)
14.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	733.61	133.03 (18)
15.	XXIX	Agriculture	530.02	105.61 (20)
16.	XXX	Food	171.37	127.87 (75)
17.	XXXI	Animal Husbandry	128.91	19.58 (15)
18.	XXXIII	Fisheries	56.96	10.06 (18)
19.	XXXIV	Forest	162.38	23.59 (15)
20.	XXXV	Panchayats	1670.21	515.98 (31)
21.	XXXVI	Community Development	263.07	91.62 (35)
22.	XXXVIII	Irrigation	169.56	43.30 (26)
23.	XXXIX	Power	73.93	20.32 (27)
24.	XLII	Tourism	79.37	10.73 (14)
	Capital-Voted			
25.	XVII	Education, Sports, Art and Culture	31.48	5.60 (18)
26.	XVIII	Medical and Public Health	40.95	11.58 (28)
27.	XXI	Housing	13.48	6.88 (51)
28.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	41.74	9.41 (23)
29.	XXVII	Co-operation	36.80	5.21 (14)
30.	XXVIII	Miscellaneous Economic Services	135.05	135.01 (100)
31.	XXIX	Agriculture	46.01	28.11 (61)
32.	XXXIII	Fisheries	23.40	7.43 (32)
33.	XXXVII	Industries	177.48	40.47 (23)
34.	XXXVIII	Irrigation	186.11	26.53 (14)
35.	XXXIX	Power	85.58	18.65 (22)
36.	XLI	Transport	41.51	16.62 (40)
		Total	**12869.90**	**2818.17**

Appendix XIV
Persistent savings
(Reference: Paragraph 2.3.2; Page 31)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Amount of savings (Percentage)		
			2002-03	2003-04	2004-05
	Revenue-Voted				
1	VI	Land Revenue	35.32 (30)	28.55 (23)	42.92 (29)
2	XX	Water Supply and Sanitation	59.54 (23)	75.14 (24)	216.48 (45)
3	XXII	Urban Development	99.92 (31)	116.82 (35)	123.39 (28)
4	XXIV	Labour and Labour Welfare	55.87 (45)	83.04 (48)	44.46 (20)
5	XXX	Food	112.55 (65)	130.73 (77)	127.87 (75)
6	XL	Ports	1.63 (21)	11.07 (62)	2.43 (25)
	Revenue-Charged				
7	XV	Public Works	0.97 (67)	1.48 (91)	1.45 (91)
	Capital-Voted				
8	XIX	Family Welfare	1.62 (54)	1.85 (62)	0.61 (40)
9	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	25.57 (61)	36.81 (69)	9.41 (23)
10	XXXI	Animal Husbandry	4.85 (93)	4.03 (99)	2.25 (91)
11	XL	Ports	4.24 (54)	3.59 (43)	2.98 (28)

Appendix XV
Excess over provision relating to previous years requiring regularisation
(Reference: Paragraph 2.3.3; Page 31)

(Rupees in crore)

Year	No. of Grants/ Appro-priations	Grant/Appropriation Numbers	Amount of excess
1983-84	2	XVII RV and CV	3.69
1984-85	1	XVII – RV	29.36
1985-86	2	XVII RV and CCh	34.30
1988-89	1	XVIII – RV	0.04
1989-90	1	XVII – RV	38.45
1990-91	4	VI – RV, XVII – RV, XIX – RV, XXVIII – RV	81.90
1991-92	4	II – RCh, XVII – RV and CV, XVIII – CV	36.07
1992-93	2	XXV – CV, XXX – RV	0.31
1993-94	3	XVII – CCh, XX – CV, XXII – CV	0.74
1994-95	2	XVIII – CV&CCh	1.47
1995-96	8	VI – RCh, XIV – RV, XX – RV, XXVI – RV, XXXIX – CV, XLI – RV & CV, XLII – RV	40.77
1996-97	5	VI – RCh, XIV – CV, XVIII – CV, XXV – CCh, XXXIX – CV	0.67
1997-98	5	XV – RCh, XVIII – CV, XXV – CV, XLII – CV, IX-RV	23.31
1998-99	4	XIV – CV, XV – RCh, XXV – RV, XXVIII – CV	8.00
1999-2000	2	I – RV, XIX – RV	22.17
2000-01	4	I – RCh, XVI – RV, XIX – RV, XXV – RV	347.29
2001-02	6	XI – RV, XII – CV, XVII – CCh, XVIII – CV, XIX – RV, XXXVII – RV	92.64
2002-03	10	I – RV, III – RV, VII – RV, X – RV, XVI – RV, XIV – CV, XVIII – CV, III – RCh, DC – RCh & PDR - CCh	1403.12
2003-04	11	I-RV, III -RV, V-RV, XI- RV, XVII-RV, XIX-RV, XII-RV, II-RC, DC - RCh, PDR-CC, XLIII-RV	1307.84
Total	**77**		**3472.14**

RV – Revenue-Voted
CV – Capital-Voted
RCh – Revenue-Charged

CCh – Capital-Charged
PDR – Public Debt Repayment
DC - Debt Charges

Appendix XVI
Cases of unnecessary supplementary grants/appropriations
(Reference: Paragraph 2.3.5; Page 32)

(Rupees in crore)

Sl. No.	Number and Name of Grant		Original grant	Supplementary grant	Total	Expenditure	Savings
	Revenue-Voted						
1.	II	Heads of States, Ministers and Headquarters Staff	290.76	3.71	294.47	151.63	142.84
2.	VI	Land Revenue	142.29	3.27	145.56	102.64	42.92
3.	X	Treasury and Accounts	57.29	3.03	60.32	52.04	8.28
4.	XII	Police	632.59	12.69	645.28	558.19	87.09
5.	XIII	Jails	32.45	7.67	40.12	27.58	12.54
6.	XIV	Stationery and Printing and other Administrative Services	108.40	3.58	111.98	99.78	12.20
7.	XVII	Education, Sports, Art and Culture	3752.10	39.72	3791.82	3314.89	476.93
8.	XVIII	Medical and Public Health	895.13	35.51	930.64	784.64	146.00
9.	XX	Water supply and Sanitation	473.79	5.46	479.25	262.77	216.48
10.	XXI	Housing	80.68	2.07	82.75	75.15	7.60
11.	XXII	Urban Development	413.26	29.42	442.68	319.29	123.39
12.	XXIII	Information and Publicity	12.33	1.03	13.36	11.91	1.45
13.	XXIV	Labour and Labour Welfare	199.04	18.95	217.99	173.53	44.46
14.	XXIX	Agriculture	467.37	62.65	530.02	424.41	105.61
15.	XXXI	Animal Husbandry	128.36	0.55	128.91	109.34	19.57
16.	XXXIV	Forest	160.52	1.86	162.38	138.79	23.59
17.	XXXVI	Community Development	237.67	25.39	263.06	171.44	91.62
18.	XXXVIII	Irrigation	144.96	24.60	169.56	126.26	43.30
19.	XXXIX	Power	63.79	10.14	73.93	53.61	20.32
20.	XLI	Transport	18.83	1.52	20.35	15.93	4.42
21.	XLII	Tourism	78.12	1.25	79.37	68.64	10.73
	Revenue-Charged						
22.	III	Administration of Justice	19.18	0.81	19.99	17.98	2.01
23.		Debt Charges	3778.97	18.73	3797.70	3612.90	184.80
	Capital-Voted						
24.	XVIII	Medical and Public Health	30.10	10.85	40.95	29.37	11.58
25.	XXV	Social Welfare including welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	38.62	3.12	41.74	32.33	9.41
26.	XXX	Food	18.86	1.24	20.10	16.46	3.64
27.	XXXIII	Fisheries	21.40	2.00	23.40	15.98	7.42
28.	XLI	Transport	37.30	4.21	41.51	24.89	16.62
	Capital-Charged						
29.	XV	Public Works	0.29	1.13	1.42	0.01	1.41
Total			**12334.45**	**336.16**	**12670.61**	**10792.38**	**1878.23**

Appendix XVII
Cases of excessive supplementary grants/appropriations
(Reference: Paragraph 2.3.5; Page 32)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Expenditure	Savings
Revenue-Voted						
1.	I State Legislature	18.48	1.86	20.34	18.63	1.71
2.	III Administration of Justice	95.72	5.66	101.38	97.50	3.88
3.	IV Elections	18.12	14.08	32.20	31.89	0.31
4.	XI District Administration and Miscellaneous	127.98	78.28	206.26	200.85	5.41
5.	XV Public Works	634.47	123.97	758.44	675.52	82.92
6.	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	583.04	150.56	733.60	600.57	133.03
7.	XXVI Relief on Account of Natural Calamities	163.46	382.21	545.67	521.16	24.51
8.	XXXIII Fisheries	41.92	15.03	56.95	46.89	10.06
9.	XXXVII Industries	191.56	19.68	211.24	194.51	16.73
Revenue-Charged						
10.	II Heads of States, Ministers and Headquarters Staff	27.26	2.39	29.65	28.35	1.30
11.	XVI Pensions and Miscellaneous	2.78	1.23	4.01	3.16	0.85
12.	XVII Education, Sports, Art and Culture	0.12	3.92	4.04	3.92	0.12
Capital-Voted						
13.	XII Police	--	1.65	1.65	0.84	0.81
14.	XVII Education, Sports, Art and Culture	18.93	12.54	31.47	25.87	5.60
15.	XIX Family Welfare	--	1.52	1.52	0.91	0.61
16.	XXIX Agriculture	3.87	42.14	46.01	17.90	28.11
17.	XXXVII Industries	70.35	107.13	177.48	137.01	40.47
18.	XXXVIII Irrigation	106.47	79.64	186.11	159.58	26.53
19.	XXXIX Power	61.92	23.66	85.58	66.93	18.65
20.	XLII Tourism	9.51	10.47	19.98	15.00	4.98
Capital-Charged						
21.	XXXVIII Irrigation	1.51	1.78	3.29	3.1	0.19
Total		**2177.47**	**1079.40**	**3256.87**	**2850.09**	**406.78**

Appendix XVIII
Cases where supplementary provision proved insufficient
(Reference: Paragraph 2.3.5; Page 32)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation	Original provision	Supplementary provision	Total	Expenditure	Excess uncovered
Revenue-Voted						
1	XIX Family Welfare	92.00	0.70	92.70	107.53	14.83
Capital-Voted						
2	XV Public Works	81.28	178.04	259.32	260.34	1.02
Capital-Charged						
3	Public Debt Repayment	6052.54	9.72	6062.26	11886.32	5824.06
Total		**6225.82**	**188.46**	**6414.28**	**12254.19**	**5839.91**

Appendix XIX
Excessive/unnecessary reappropriation of funds
(Reference: Paragraph 2.3.6; Page 32)

(Rupees in crore)

Sl. No	Number, Name of Grant/ Appropriation and Head of account	Original plus supplementary provision	Reappropriation	Final grant/ appropriation	Actual expenditure	Excess (+)/ Savings (-)
	II Heads of States, Ministers and Headquarters staff					
1.	2052-00-090-87	17.25	(-) 13.26	3.99	7.17	(+) 3.18
2.	3451-00-101-82	60.40	(-) 52.43	7.97	9.06	(+) 1.09
	III Administration of Justice					
3.	2014-00-105-99	54.57	(-) 1.85	52.72	53.38	(+) 0.66
	V Agriculture Income and Sales Tax					
4.	2040-00-101-97	48.64	(-) 2.72	45.92	47.64	(+) 1.72
	XII Police					
5.	2055-00-003-99	6.19	(-)3.72	2.47	1.93	(-) 0.54
6.	2055-00-115-99	63.00	(-)16.85	46.15	46.71	(+) 0.56
	XIV Stationary and Printing and Other Administrative Services					
7.	2058-00-103-99	29.61	(-)0.19	29.42	27.08	(-)2.34
8.	2070-00-104-99	17.01	(-)2.77	14.24	14.89	(+)0.65
	XV Public Works					
9.	2059-80-053-99	7.78	(-)3.50	4.28	3.51	(-) 0.77
10.	3054-05-337-99	12.29	(+)7.81	20.10	17.40	(-)2.70
11.	3054-80-800-94	10.25	(-)1.34	8.91	4.80	(-)4.11
12.	4059-01-051-85	10.79	(-)0.70	10.09	8.67	(-)1.42
13.	4059-01-051-75	3.14	(-)0.55	2.59	1.95	(-)0.64
14.	4059-80-001-99	6.34	(-)1.38	4.96	6.76	(+)1.80
15.	5054-80-800-81	0.82	(+)1.02	1.84	0.98	(-)0.86
	XVII Education, Sports, Art and Culture					
16.	2202-03-103-99	64.55	(-)15.13	49.42	61.49	(+)12.07
17.	2203-00-104-99	14.35	(+)1.44	15.79	14.82	(-)0.97
18.	2204-00-103-99	2.90	(-)2.51	0.39	1.04	(+)0.65
19.	2810-01-800-98	8.00	(-)7.00	1.00	2.43	(+)1.43
20.	4202-01-203-99	2.90	(+)1.84	4.74	2.24	(-)2.50
	XVIII Medical and Public Health					
21.	2210-01-102-98	34.12	(-)4.74	29.38	31.39	(+)2.01
22.	2210-01-110-98	31.18	(-)2.66	28.52	33.21	(+)4.69
23.	2210-01-110-97	37.48	(-)1.27	36.21	36.75	(+)0.54
24.	2210-03-103-99	61.54	(-)1.63	59.91	64.41	(+)4.50
	XIX Family Welfare					
25.	2211-00-101-99	65.00	(-)15.00	50.00	70.81	(+)20.81
26.	2211-00-101-96	--	(+)15.00	15.00	4.02	(-)10.98
	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes					
27.	2225-01-277-89	8.00	(+)0.92	8.92	5.80	(-)2.12
28.	2235-02-102-98	69.00	(-)1.11	67.89	71.09	(+)3.20
29.	2235-02-198-50	19.31	(-)0.59	18.72	23.45	(+)4.73
30.	4235-01-277-94	5.00	(-)1.98	3.02	4.03	(+)1.01
31.	4235-02-800-98	1.36	(-)0.55	0.81	1.46	(+)0.65
	XXVI Relief on account of Natural Calamities					
32.	2245-02-101-98	6.00	(-)2.75	3.25	12.65	(+)9.40
33.	2245-02-101-94	10.40	(-)9.49	0.91	1.44	(+)0.53
34.	2245-02-112-99	1.00	(-)0.96	0.04	1.12	(+)1.08
35.	2245-02-113-99	10.00	(-)5.82	4.18	8.50	(+)4.32
36.	2245-02-800-95	0.65	(-)0.60	0.05	1.07	(+)1.02

Appendix XIX – Concld.

	XXIX Agriculture					
37.	2401-00-001-96	68.01	(+)0.90	68.91	67.05	(-)1.86
38.	2401-00-800-61	40.20	(-)8.12	32.08	36.26	(+)4.18
39.	2702-02-005-99	10.75	(-)1.55	9.20	10.67	(+)1.47
40.	4702-00-101-99	8.50	(-)1.81	6.69	7.46	(+)0.77
	XXXI Animal Husbandry					
41.	2403-00-103-99	4.01	(+)0.74	4.75	3.57	(-)1.18
42.	4403-00-800-99	1.00	(+)1.03	2.03	--	(-)2.03
	XXXVI Community Development					
43.	2501-06-196-48	--	(+)1.91	1.91	0.83	(-)1.08
44.	2501-06-197-48	9.05	(+)7.98	17.03	15.91	(-)1.12
45.	2515-00-001-49	39.33	(-)0.63	38.70	42.01	(+)3.31
	XXXVIII Irrigation					
46.	2701-80-799-99	15.44	(-)8.27	7.17	8.02	(+)0.85
47.	4701-80-800-92	2.57	(+)2.36	4.93	3.70	(-)1.23
	Debt Charges					
48.	2048-00-101-99	67.45	(+)39.55	107.00	--	(-)107.00
49.	2049-01-101-99	786.06	(-)16.36	769.70	824.50	(+)54.80
	Public Debt Repayment					
50.	6003-00-105-97	73.38	(+)273.20	346.58	49.64	(-)296.94
51.	6004-02-101-99	490.70	(-)309.59	181.11	1022.72	(+)841.61

Appendix XX
Non-surrender of savings of Rs 5 crore and above
(Reference: Paragraph 2.3.7; Page 32)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Savings	Amount surrendered	Amount not surrendered
Revenue-Voted					
1.	II	Heads of States, Ministers and Headquarters Staff	142.84	135.52	7.32
2.	XIII	Jails	12.54	6.31	6.23
3.	XV	Public Works	82.92	13.52	69.4
4.	XVII	Education, Sports, Art and Culture	476.93	129.82	347.11
5.	XVIII	Medical and Public Health	146.00	63.88	82.12
6.	XX	Water Supply and Sanitation	216.48	201.33	15.15
7.	XXI	Housing	7.60	1.25	6.35
8.	XXII	Urban Development	123.39	107.55	15.84
9.	XXIV	Labour and Labour Welfare	44.46	18.83	25.63
10.	XXIX	Agriculture	105.61	81.10	24.51
11.	XXXI	Animal Husbandry	19.58	4.09	15.49
12.	XXXIII	Fisheries	10.06	3.14	6.92
13.	XXXV	Panchayat	515.98	51.30	464.68
14.	XXXVIII	Irrigation	43.30	25.11	18.19
15.	XXXIX	Power	20.32	1.41	18.91
Capital-Voted					
16.	XVII	Education, Sports, Art and Culture	5.60	1.49	4.11
17.	XVIII	Medical and Public Health	11.58	7.95	3.63
18.	XXXVIII	Irrigation	26.53	20.84	5.69
19.	XXXIX	Power	18.66	--	18.66
Total			**2030.38**	**874.44**	**1155.94**

Appendix XXI
Excess surrender of savings
(Reference: Paragraph 2.3.8; Page 33)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation	Savings	Amount surrendered	Amount surrendered in excess
	Revenue-Voted			
1.	III Administration of Justice	3.88	4.48	0.60
2.	V Agricultural Income Tax and Sales Tax	2.09	3.65	1.56
3.	XI District Administration and Miscellaneous	5.41	6.12	0.71
4.	XXVI Relief on Account of Natural Calamities	24.51	46.64	22.13
5.	XXXII Dairy	1.66	2.24	0.58
6.	XXXVI Community Development	91.62	97.86	6.24
7.	XXXVII Industries	16.73	30.01	13.28
8.	XLII Tourism	10.73	11.40	0.67
	Revenue-Charged			
9.	III Administration of Justice	2.01	2.24	0.23
10.	Debt Charges	184.80	186.16	1.36
	Capital-Voted			
11.	XII Police	0.81	1.00	0.19
12.	XXV Social Welfare including welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	9.41	10.29	0.88
13.	XXIX Agriculture	28.11	28.76	0.65
	Total	**381.77**	**430.85**	**49.08**

Appendix XXII
Arrears in reconciliation
(Reference: Paragraph 2.5; Page 35)

Year	Number of controlling officers	Number of monthly reconciliation certificates due
1997-98	1	12
1998-99	1	12
1999-2000	1	12
2001-02	5	60
2002-03	15	234
2003-04	38	741
2004-05	142	1734
Total		**2805**

Appendix XXIII
Rush of expenditure
(Reference: Paragraph 2.6; Page 35)

(Rupees in lakh)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2005	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2250 – Other Social Services	919.93	764.14	83	412.36	45
2	2435 – Other Agricultural Programmes	2054.03	1289.89	63	671.71	33
3	2506 – Land Reforms	507.26	382.81	75	349.61	69
4	2801 – Power	5361.41	4653.91	87	4653.91	87
5	2810 – Non Conventional sources of Energy	809.32	529.22	65	521.37	64
6	3055 – Road Transport	36.02	36.02	100	36.02	100
7	4211 – Capital Outlay on Family Welfare	90.54	90.54	100	90.54	100
8	4402 – Capital Outlay on soil and Water Conservation	350.00	350.00	100	350.00	100
9	4403 – Capital Outlay on Animal Husbandry	23.13	20.00	86	10.00	43
10	4406 – Capital Outlay on Forestry & Wild Life	711.94	394.77	55	320.90	45
11	4425 – Capital Outlay on Co-operation	1282.12	644.74	50	593.01	46
12	4701 – Capital Outlay on Major & Medium Irrigation	13933.87	7094.72	51	6863.26	49
13	4858 – Capital Outlay on Engineering Industries	2479.29	1723.29	70	1723.29	70
14	4885 – Other Capital Outlay on Industries & Minerals	1000.00	1000.00	100	1000.00	100
15	5051 – Capital Outlay on Ports and Lighthouses	784.25	414.29	53	410.84	52
16	5052 – Capital Outlay on Shipping	50.00	50.00	100	50.00	100
17	5053 – Capital Outlay on Civil Aviation	1246.67	1000.00	80	1000.00	80
18	5056 – Capital Outlay on Inland Water Transport	209.12	106.14	51	105.52	50
19	5075 – Capital Outlay on Other Transport Services	358.98	317.75	89	199.48	56
20	5452 – Capital Outlay on Tourism	1499.77	1283.74	86	1283.74	86
Total		**33707.65**	**22145.97**		**20645.56**	

Appendix XXIV
Details of non-availability of equipment
(Reference : Paragraph 3.4.15; Page 78)

Name of equipment	Name of Medical College	Purpose of Equipment
Pathology Automatic Blood Cell Counter	Thiruvananthapuram, Alappuzha	Haematology analysis
Microbiology Automated culture system	Thiruvananthapuram, Alappuzha, Kozhikode	Rapid diagnosis of most infectious disease especially slow growing organism like TB Bacilli
Equipment for Polymerase Chain Reaction	Thiruvananthapuram, Alappuzha, Kozhikode	Early detection of disease.
Microscope – Flourescent and dark ground	-do-	Speedy identification of fluorescent stained bacteria and virus
Elisa Reader Washer and Printer	-do-	Detecting various diseases.
Biochemistry Autoanalyser	Thiruvananthapuram, Alappuzha In Kozhikode no standby machine	For speedy biochemical analysis.
Automatic Blood Gas analyser	Thiruvananthapuram, Alappuzha In Kozhikode no standby machine	Essential for trauma and Intensive Care.
Equipment for Polymerase Chain Reaction	Alappuzha, Kozhikode	DNA analysis for early detection of disease
Radiology Digital Subtraction Angiography (DSA)	Thiruvananthapuram, Alappuzha, Kottayam, Thrissur and Kozhikode	Study of disorders of vascular diseases
Mammography Unit	Thiruvananthapuram, Kozhikode, Alappuzha and Kottayam	Early detection of breast cancer.

Appendix XXV
Details of equipment not functioning
(Reference : Paragraph 3.4.16; Page 79)

Name of Equipment	Year from which equipment not functioning	Name of MC
Pathology		
Automatic Blood Cell Counter	2000	Alappuzha
Micro Biology		
Deep freezer - 70° C	2000	Thiruvananthapuram
Biochemistry		
Automatic Blood Gas analyser	2004	Thiruvananthapuram
-do-	1997	Alappuzha
Auto analyser (RA.100)	1997	Alappuzha
Superstat Analyser	2003	Thiruvananthapuram
Autoanalyser Superstat 919	2003	Kozhikode
Beckmann Analyser (Electrolyte analyzer)	2003	Thiruvananthapuram

Appendix XXVI
Details of investigations not conducted in the Medical Colleges
(Reference : Paragraph 3.4.24; Page 80)

Name of investigation	Purpose of investigation	MCs in which investigation not conducted
Pathology Immuno histo chemistry	For accurate diagnosis of malignant tumours	Thiruvananthapuram, Alappuzha, Kottayam, Thrissur and Kozhikode
Immuno flourescent study	For accurate reporting of renal biopsy	Thiruvananthapuram, Alappuzha, Kozhikode, Kottayam
Cytogenetics	Chromosome study for detecting genetic defects and malignant disorders like leukemia	Thiruvananthapuram, Alappuzha, Kozhikode
Coagulation studies	Bleeding disorders like haemophilia	Thiruvananthapuram, Alappuzha, Kozhikode
Flourescent Microscopy	Final diagnosis of kidney diseases and skin diseases.	Alappuzha
Flow cytometry	Detection of tumours	Kozhikode
Microbiology Mycobacteriology – Only culture test is done. Sensitivity testing and identification of Acid Fast Bacilli not done	For T.B. detection	Thiruvananthapuram, Alappuzha, Thrissur and Kozhikode
Polymerase Chain Reaction (PCR) Test	Early detection of HIV, TB etc.	Thiruvananthapuram, Alappuzha, Kozhikode and Thrissur
Automated culture system	Rapid diagnosis of most infectious diseases especially slow growing organism like TB Bacilli	Thiruvananthapuram, Alappuzha, Kozhikode
Flourescent Microscopy	Speedy identification flourescent stained bacteria and virus	Thiruvananthapuram, Alappuzha, Kozhikode
Biochemistry Polymerase Chain Reaction (PCR)	DNA analysis for early detection of diseases	Thiruvananthapuram, Alappuzha, Kozhikode
T3, T4, TSH	Thyroid function test	Alappuzha
Blood gas analysis	Essential for Trauma & Intensive Care.	Thiruvananthapuram and Alappuzha
FSH,LH, Prolaction, CEA,	Infertility	Alappuzha
LDL; LP (a)	For detection of coronary artery diseases	Alappuzha
VMA; HIAA	Tumour markers	Alappuzha

Appendix XXVII

Details of payments made to contractors in excess of the contract value of works for which the revised estimates were not sanctioned

(Reference to Paragraph: 4.6.4; Page: 111)

(Rupees in lakh)

Sl. No.	Name of division	Name of work	Agreed PAC*	Payment made to contractors	Excess over agreed PAC (Percentage) of excess	Details of revised estimates of the w proposed for sanction	
						Reasons attributed for revision	Amo (Mont yea
(A) Proposals for revised estimates submitted during July 1998-April 2003							
1	PH Division, Kottayam	CARWSS to Kumarakom-Thiruvarppu – Construction of intake well-cum-pump house and laying pumping main	6.24	19.06	12.82 (205)	Due to change in soil classification in which excavation was done with reference to the original estimates	(Dece 1
2	-do-	Augmentation of WSS to Kottayam Medical College- construction of well-cum-pump house	6.26	27.62	21.36 (341)	Due to increase made in the diameter of well after awarding of work	(August
3	PH Division, Kollam	LIC aided RWSS to Thenmala – construction of well-cum-pump house	9.89	30.33	20.44 (207)	Due to the change in the design of well-cum-pump house	11 (2
4	-do-	Bilaterally assisted WSS to Kundara and adjoining Panchayats. Construction of 10 m dia well-cum-pump house at Punalur	14.93	130.65	115.72 (775)	-do-	14 (Dece 1
5	WS Division, Neyyattinkara	ARWSS to Pallichal. Construction of intake well cum pump house with infiltration gallery and approach road	8.44	37.24	28.80 (341)	Execution of extra items	3 (Oct 1
6	-do-	Providing water supply facility to Defence establishment at Mookkunnimala – well-cum-pump house, infiltration gallery, approach road, pumping main, storage reservoir, etc.	8.19	19.28	11.09 (135)	Extra items/excess quantities	2 (Oct 1
7	Interim Augument-ation W.S. Project Division, Thiruvanan-thapuram	Interim augmentation of Thiruvananthapuram WSS- construction of 5.6 mld capacity GL Reservoir, Office Building, Auditorium, etc., inside Water Works Complex	93.19	226.95	133.76 (144)	Due to change in design of component	22 (Ja
8	PH Division, Kannur	Augmentation of Water supply to Kannur, Thalasseri, Mahe Municipalities and adjoining towns- Laying 700 mm AC Gravity Main- Reach IV	19.67	40.87	21.20 (108)	-do-	3 (Au 1
9	-do-	Augmentation of Water supply to Kannur, Thalasseri, Mahe - Laying 700 mm dia AC Gravity Main- Carode to Karady – Reach V	9.07	18.79	9.73 (107)	-do-	1 (Oct 1
10	PH Division, Alappuzha	ARWSS to Thampakachuvadu – construction of OH Tank of 2.27 lakh litre capacity	13.60	27.93	14.33 (105)	-do-	2 (Febr 2
11	W.S. Division, Kollam	Quilon WSS – Leak rectification work – 700 mm premo pipes – Sasthamkotta to Kollam	3.07	16.91	13.84 (451)	Execution of extra items	1 (Nover 1
12	PH Division, Thiruvanan-thapuram	Interim Augmentation of Thirumala Zone – construction of 4 numbers of clarifilter at Thirumala	30.98	54.40	23.42 (76)	-do-	4 (Noven 2
13	Sewerage Project Division, Thiruvanan-thapuram	Thiruvananthapuram Drainage Scheme D-Block – Zone I-Nagarukavu-Plamood Sewer Main I Reach-Laying 350 mm RCC SW main – Ch. 0- 330 metres	12.82	20.44	7.62 (59)	Execution of additional pipe works	2. (July 1
TOTAL (A)			**236.35**	**670.47**	**434.13**		**75**

* Probable Amount of Contract

Appendix XXVII – *Concld.*

Sl. No.	Name of division	Name of work	Agreed PAC*	Payment made to contractors	Excess over agreed PAC (Percentage) of excess	Details of revised estimates of the work proposed for sanction	
						Reasons attributed for revision	Amount (Month and year)
(B) Proposals for revised estimates submitted during July 1990-June 1997							
1	Water Supply Division, Kochi	CWSS to Kadungalloor etc.- Alangad Panchayat. Balance work of distribution system - Zone III	8.36	15.01	6.65 (80)	Due to change in the nature of work resulting in execution of extra items	16.20 (June 1997)
2	PH Division, Kollam	RWSS to Velinalloor – LIC II Stage-Construction of well-cum-pump house-laying of CI raw water pumping main	4.15	13.53	9.38 (226)	Execution of extra items	13.59 (May 1995)
3	PH Division, Thiruvalla	ARWSS to Madappally-Vakathanam-Karukachal villages. Construction of well-cum-pump house	6.81	26.20	19.39 (285)	Change in design of well-increase in diameter from 6m to 9m	55.16 (March 1995)
4	WS Division, Neyyattinkara	RWSS to Thirupuram (LIC aided). Construction of well cum pump house, infiltration gallery, pumping main and distribution system – Balance work	5.48	36.03	30.55 (557)	Due to change of the design of the component by increasing the diameter of the well	33.10 (February 1997)
5	Interim Augumentation W.S. Project Division, Thiruvananthapuram	Construction of 2 OH Tank of total capacity 5 mld with 5 m staging at Peroorkada	62.24	94.09	31.85 (51)	Due to change in design of component	113.89 (March 1996)
6	PH Division, Kannur	Augmentation of Water supply Kannur, Thalassery, Mahe – Laying 200 mm AC gravity main from OH Reservoir at Store compound – Thana to Chettipedika	1.59	2.57	0.98 (62)	Actual quantity exceeded the agreed quantity	2.40 (May 1995)
7	Head Works Division, Aruvikkara	Construction of staff quarters at Vellayambalam	6.09	13.45	7.36 (121)	Execution of extra items and excess quantities	10.40 (May 1993)
8	-do-	Construction of raw water pump house with intake arrangement at Aruvikkara	41.87	68.01	26.14 (62)	-do-	82.40 (June 1997)
9	PH Division, Pathanamthitta	LIC aided RWSS to Vechoochira construction of intake well and foot bridge	5.41	41.34	35.93 (664)	Execution of extra items and excess quantities	54.84 (July 1994)
10	-do-	UWSS to Pathanamthitta- construction of elevated reservoir -26 lakh litre capacity	23.31	149.00	125.69 (539)	-do-	205.09 (September 1995)
11	-do-	UWSS to Pathanamthitta-Construction of well-cum-pump house	9.72	19.31	9.59 (99)	-do-	63.75 (June 1995)
12	-do-	RWSS to Ayiroor – Kanjettukara	10.65	80.68	70.03 (658)	-do-	108.94 (July 1990)
13	-do-	RWSS to Eraviperoor	11.59	149.70	138.11 (1192)	-do-	175.68 (January 1995)
TOTAL (B)			**197.27**	**708.92**	**511.65**		**935.44**

* Probable Amount of Contract

Appendix XXVIII
Department-wise details of outstanding Inspection Reports and Paragraphs as on 30 June 2005
(Reference : Paragraph 4.6.7; Page 115)

Sl. No.	Name of Department	Number of outstanding	
		IRs	Paras
1.	Agriculture	784	2,888
2.	Co-operation	38	73
3.	Cultural Affairs	58	371
4.	Election	3	9
5.	Finance	160	546
6.	Fisheries and Ports	242	636
7.	Food and Civil Supplies	91	211
8.	Forest and Wild Life	249	729
9.	General Administration	11	29
10.	General Education	1,701	3,986
11.	Harbour Engineering	21	49
12.	Health and Family Welfare	1,414	4,483
13.	Higher Education	455	1,719
14.	Home	161	492
15.	Housing	7	68
16.	Industries	92	376
17.	Information Technology	7	40
18.	Kerala Public Service Commission	8	21
19.	Labour and Rehabilitation	143	340
20.	Law	134	218
21.	Legislature Secretariat	8	34
22.	Local Self Government	62	229
23.	Personnel and Administrative Reforms	3	26
24.	(a) Planning and Economic Affairs	25[@]	70[@]
	(b) Western Ghat Cell	3	4
25.	Power	6	64
26.	Public Relations	22	67
27.	Public Works	407	1,500
28.	Revenue	343	946
29.	Rural Development	210	616
30.	Sainik Welfare	24	42
31.	Science, Technology and Environment Department	23	150
32.	Scheduled Castes and Scheduled Tribes Development	193	779
33.	Social Welfare	102	230
34.	Taxes	97	196
35.	Tourism	27	136
36.	Transport	25	48
37.	Water Resources	609	2,051
	Total	**7,968**	**24,472**

[@] Seven IRs and 15 Paras relate to Autonomous Bodies under Planning and Economic Affairs Department

Appendix XXIX
Statement showing the year-wise position and nature of irregularities of outstanding Inspection Reports
(Reference : Paragraph 4.6.7 ; Page 115)

(a) Year-wise analysis

(Rupees in lakh)

Period	Food and Civil Supplies Department			Planning and Economic Affairs Department		
	Number of IRs	Number of paragraphs	Money value	Number of IRs	Number of paragraphs	Money value
Upto 2000-01	12	18	44.77	4	9	218.90
2001-02	12	14	446.77	3	11	62.31
2002-03	18	25	1312.86	2	10	220.82
2003-04	6	17	153.05	3	5	0.35
2004-05	43	137	2140.98	6	20	954.90
Total	**91**	**211**	**4098.43**	**18**	**55**	**1457.28**

(b) Nature of Irregularities

(Rupees in lakh)

Sl. No	Nature of Irregularity	Number of paragraphs	Amount
	Food and Civil Supplies Department		
1	Amount outstanding as per Demand Collection and Balance statement	41	1073.98
2	Irregular draw of pay and allowance, bonus, etc.	41	3.07
3	Time barred revenue deposits not lapsed to Government	21	20.02
4	Amount recoverable from Authorised Retail Distributor/ Authorised Wholesale Distributor /Kerosene Wholesale Distributor	11	309.16
5	Unfruitful expenditure on computerisation/idling equipment	23	25.85
6	Excess Sales Tax charged by Food Corporation of India on purchase of rice	7	35.87
7	Diversion of food grains allotted for 'Food for work' scheme (Centrally Sponsored Scheme)	1	400.45
8	Lapses of Government of India aid for implementation of 'Antyodaya Anna Yojana'/ 'Annapoorna' schemes	2	896.84
9	Loss of issue of wheat to Civil Supplies Corporation in violation of Government of India norms	1	110.82
10	Others	63	1222.37
	Total	**211**	**4098.43**
	Planning and Economic Affairs Department		
1	Irregular drawal of pay and allowance, bonus, traveling allowance, etc.	14	0.66
2	Advances pending adjustment/non-receipt of utilisation certificates	9	355.54
3	Non-utilisation of Members of Parliament Local Area Development fund	4	849.85
4	Non-implementation of schemes	4	246.32
5	Others	24	4.91
	Total	**55**	**1457.28**

Appendix XXX
Statement showing number of paragraphs for which Action Taken Notes had not been furnished by the Administrative Departments
(Reference : Paragraph 4.6.8 ; Page 116)

Sl. No.	Name of Department	Audit Report for the year	Para No.	Number of Audit Paragraphs
1	Agriculture	2002-03	3.1,	1
		2003-04#	4.6.1	-
2	Election	2002-03	4.2.2	1
3	Finance	1996-97	2.8	
		1998-99	1.9,1.11	
		1999-2000	3.6,3.7	6
		2002-03	5.1	
		2003-04#	3.6,3.7	-
4	Fisheries and Ports	1999-2000	3.10, 5.2	2
		2003-04#	3.2,4.3.1,4.5.2,4.7.1	-
5	Forest and Wild Life	1993-94	4.16	1
6	General Administration (Tourism)	2003-04	4.5.3	-
7	General Education	1993-94	3.10	
		2000-01	3.8	
		2001-02	7.5,7.6	8
		2002-03	4.1.1, 4.4.1, 4.6.2, 4.6.3	
		2003-04#	4.1.1,4.5.1,4.7.2	-
8	Health and Family Welfare	1998-99	3.9	
		1999-2000	3.2, 3.13, 3.14, 3.15	
		2000-01	3.1, 3.2, 3.9, 3.10, 7.6	
		2001-02	3.5	18
		2002-03	3.2, 3.4, 4.1.1, 4.4.2, 4.5.1, 4.6.3, 5.1	
		2003-04#	3.2,3.3,4.4.1,4.7.3,4.7.4	-
9	Higher Education	2003-04#	4.7.5, 4.7.6	-
10	Home	2002-03	3.6	1
11	Housing	2003-04#	4.4.2	-
12	Industries	1996-97	7.21	
		1999-2000	3.19	
		2000-01	3.13, 3.16, 7.7	6
		2002-03	4.5.3	
		2003-04#	4.5.4,4.5.5,5.1	-
13	Information Technology	2002-03	4.6.4	1
14	Labour and Rehabilitation	2002-03	3.3, 3.4	2
		2003-04#	3.4	-

Action Taken Notes for 2003-04 are due only in October 2005

Appendix XXX – *Concld.*

Sl. No.	Name of Department	Audit Report for the year	Para No.	Number of Audit Paragraphs
15	Local Self Government	1999-2000 2002-03	3.3 4.3.1	2
		2003-04#	3.5,4.4.3,4.4.4	-
16	Public Works and Transport	1998-99 1999-2000 2000-01 2001-02 2002-03	2.4, 4.20, 3.21, 4.5, 4.6, 4.8, 4.9, 4.11, 4.12, 4.13, 4.14, 4.15 4.9, 4.10, 4.14, 4.15 4.1, 4.6, 4.8 4.5.5	20
		2003-04#	4.2.1,4.2.2,4.3.2,4.3.3, 4.3.4, 4.4.5,4.4.6,4.4.7, 4.4.8, 4.4.9,4.4.10	-
17	Planning and Economic Affairs	2001-02	3.6	1
18	Revenue	1996-97 2000-01 2001-02 2002-03	3.10 3.19, 3.20 3.7, 3.8 4.2.5, 4.6.7	7
		2003-04#	4.5.6,4.7.7	-
19	Scheduled Castes and Scheduled Tribes Development	2001-02	3.9, 3.10	2
		2003-04	3.1	-
20	Social Welfare	2002-03	3.4	1
		2003-04#	4.4.11,4.7.8	-
21	Taxes	1997-98	3.18	1
22	Water Resources	1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03	4.10 3.16, 4.10 4.2, 4.3, 4.4, 5.1 4.1, 4.3, 4.5, 4.6 4.10 3.5, 4.2.7, 4.4.5, 4.5.6, 4.6.8	17
		2003-04#	3.2	-

2002-03

1. Para 3.4 - Welfare of handicapped – relates to Social Welfare, Health and Family Welfare and Labour and Rehabilitation Departments
2. Para 4.1.1 – Misappropriation of Government money – relates to General Education and Health and Family Welfare Departments
3. Para 4.6.3 – Loss of Central assistance – relates to General Education and Health and Family Welfare Departments
4. Para 5.1 – Internal Audit System – relates to Finance and Health and Family Welfare Departments

2003-04

5. Para 3.2 – District Audit Kollam – relates to Fisheries, Water Resources and Health and Family Welfare Departments

Action Taken Notes for 2003-04 are due only in October 2005