

## CHAPTER II PERFORMANCE AUDIT

### REVENUE DEPARTMENT

#### 2.1 District-centric Audit of Palakkad District

##### *Highlights*

*With the increasing investment by Governments with the district as the focal point, a district-centric audit was conducted in Palakkad District to assess the status and impact of implementation of various socio-economic developmental programmes. Audit conducted a review of key social sector programmes relating to health, education and water supply; economic sector programmes relating to agriculture, Member of Parliament Local Area Development Scheme, Special Development Fund for Members of Legislative Assembly, Housing for Scheduled Castes/Scheduled Tribes and the Attappady Wasteland Comprehensive Environmental Conservation Project and General Services relating to e-District and e-Literacy (Akshaya).*

**The District Planning Committee (DPC) was required to prepare an Integrated District Development Plan (IDDP) for the District and finalise Local Development Plans (LDPs) for Local Self Government Institutions (LSGIs). The DPC had not prepared either an IDDP or LDPs and therefore, gaps in various developmental schemes remained unidentified.**

*(Paragraph 2.1.3.3)*

**There was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under various schemes implemented in the district.**

*(Paragraph 2.1.4.1)*

**The district had six hospitals, one Tribal Speciality Hospital, 20 Community Health Centres, 75 Primary Health Centres and 504 Sub Centres. Adequate manpower and infrastructure as per the Indian Public Health Standards were not provided. Medical instruments supplied were not properly utilised.**

*(Paragraphs 2.1.5, 2.1.5.2 and 2.1.5.3)*

**Despite the intervention of the Sarva Shiksha Abhiyan, the strength of students in Government/aided schools decreased and the strength of students in unaided schools increased.**

*(Paragraph 2.1.6.2)*

**Nine water supply schemes taken up under the Accelerated Rural Water Supply Programme to benefit a population of 2.93 lakh in nine Panchayats remained incomplete due to improper planning. Quality tests of water samples of the Comprehensive Water Supply Scheme (CWSS) to Nemmara and Ayilur showed presence of bacteria and other impurities.**

*(Paragraphs 2.1.7.2 and 2.1.7.4)*

Inordinate delays were noticed in the completion of houses taken up by the Scheduled Castes and Scheduled Tribes Development Department under Housing schemes to SCs and STs.

(Paragraphs 2.1.8.1 and 2.1.8.2)

In respect of Special Development Fund for Members of Legislative Assembly, several works remained incomplete for reasons like non-availability of materials, public objections, vagaries of nature, etc.

(Paragraph 2.1.10)

In Attappady Wasteland Comprehensive Environmental Conservation Project, delays were noticed in completion of houses and several assets created by AHADS were lying unutilised or were not handed over to the beneficiary departments.

(Paragraph 2.1.13.3)

The e-District programme had not been fully implemented even after three years. Out of 46 services under the project, only 23 services relating to the Revenue Department were made online.

(Paragraph 2.1.14.1)

## 2.1.1 Introduction

### 2.1.1.1 District profile

Palakkad District lies in the central part of Kerala bound in the north by Malappuram district; east by the State of Tamil Nadu; south by Thrissur district; and west by parts of Malappuram and Thrissur districts. The district spans an area of 4,480 sq. kms. The total population (Census 2001) of the district is 26.17 lakh. The rate of literacy in the district is 84.31 *per cent* as against the State average of 90.86 *per cent*. The district consists of two Revenue Divisions, five Taluks, 13 Community Development Blocks, 91 Grama Panchayats and four Municipalities.

### 2.1.1.2 Administrative Set-up

The District Collector (DC) is the Head of the District. The DC is the Chairman of various development bodies and committees of the district. In the district, there are District level offices and Sub offices for almost all Government departments. The departmental schemes are proposed by the departments concerned at the State level.

The District Planning Committee (DPC) is the body at the district level which approves the Annual Plans prepared by Local Self Government Institutions (LSGIs) (District Panchayat, Block Panchayats, Grama Panchayats, and Municipalities) and reviews the progress of the schemes approved by it. There were 14 members in the committee as against the stipulated 15. The District Planning Officer (DPO) is the Joint Secretary (Co-ordination) of the DPC and his office functions as the Secretariat of DPC.

## 2.1.2 Audit Framework

### 2.1.2.1 Scope of Audit

There were numerous developmental programmes initiated by the State and the Central Governments for the upliftment of the standard of living of the people, with the district as the focal point. Audit of Palakkad District involved a review of the significant developmental programmes/schemes implemented in the district during the period 2005-10 covering Social, Economic and General Services. Audit undertook appraisal of (i) social sector programmes of health with focus on the National Rural Health Mission (NRHM), education with focus on Sarva Shiksha Abhiyan (SSA), water supply with focus on the Accelerated Rural Water Supply Programme (ARWSP) (ii) economic sector programmes with a focus on the State Horticulture Mission (SHM), the Prime Minister's Special Rehabilitation Programme (Vidarbha Package), the Member of Parliament Local Area Development Scheme (MPLADS), the Special Development Fund for Members of Legislative Assembly (MLA SDF), Housing to Scheduled Castes/ Scheduled Tribes, Attappady Wasteland Comprehensive Environmental Conservation Project (AWCECOP) and (iii) general services with a focus on IT programmes like e-District and e-Literacy (Akshaya). This audit covered the developmental initiatives in the district and the expenditure thereon, both from the Central and State funds and focused on the role and responsibilities of the district administration in providing essential public services and improving the general standard of living of the people of the district as well as the extent of community participation in programme implementation and monitoring.

The audit was based on a scrutiny of the records of the District Planning Office, the offices of the District Collector, District Panchayat, selected Blocks and Grama Panchayats and the concerned line departments and autonomous institutions during December 2010 to March 2011.

### 2.1.2.2 Audit Objectives

The objectives of the audit were to assess whether:

- the planning process for different programmes was efficient;
- the financial management was efficient and effective;
- the implementation of programmes/schemes was efficient, effective and economical;
- an efficient monitoring mechanism was in place.

### 2.1.2.3 Audit Criteria

The audit findings were benchmarked against the following criteria:

- District Plans and Annual Plans;
- Guidelines of the concerned schemes/programmes, issued by the Central/State Government;
- Provisions of the Government Financial Rules and the Memorandum of Association of bodies;
- Prescribed monitoring mechanisms.

#### **2.1.2.4      *Audit Methodology***

An entry meeting was held (3 February 2011) with the District Collector along with the implementing officers of various schemes. In the meeting, the audit objectives, the scope of audit and the programmes proposed for audit were discussed. The audit involved examination of documents of offices at the district, block and Grama Panchayat level. Photographic evidence and physical verification were also taken into consideration to substantiate the audit observations.

Three Block Development Offices (out of 13), namely, Palakkad, Nemmara and Attappady and six Grama Panchayats (out of 91), namely, Parali, Keralassery, Ayilur, Nelliampathy, Pudur, Sholayur were selected on judgemental method as samples for detailed scrutiny. The records of the District Collector, the District Planning Office, the Principal Agriculture Office, the District Office of Scheduled Castes/Scheduled Tribes Development Departments, the District Project Office (SSA), the District Health Society (NRHM), the District Medical Office of Health, the Divisional Offices of Kerala Water Authority (KWA), the District Office of SHM, and the Attappady Hills Area Development Society (AHADS) etc. were also scrutinized.

An exit meeting was held on 21 July 2011 with the Deputy Collector on behalf of the District Collector (who was not available due to unforeseen reasons) wherein it was assured that replies to audit observations would be furnished at the earliest. No reply has, however, been received so far (October 2011).

### **2.1.3      *Planning***

#### **2.1.3.1      *District Planning***

According to the guidelines for district plans in the Eleventh Five Year Plan issued by the Planning Commission, district planning is the process of preparing an integrated plan for the district taking into account the resources (natural, human and financial) available and covering the sectoral activities and schemes assigned to the district level and below and those implemented through local Governments. The document that embodies this statement of resources and allocation for various purposes is known as the District Plan.

#### **2.1.3.2      *District Planning Committee***

The Constitution (74<sup>th</sup> Amendment) Act, 1992, envisaged constitution of a DPC in every State at the district level. The Kerala Municipality Act, 1994, provided for constitution of the DPC consisting of 15 members. The DPC in the district was first constituted in 1997 and was reconstituted in March 2006 with the District Panchayat President as the Chairman, the DC as the ex-officio-Secretary and 12 elected members of the District Panchayat and municipalities as members.

The DPC is required to consolidate the Plans prepared by the LSGIs and prepare a draft development plan for the district as a whole. The DPC is to monitor the physical and financial progress of the approved district planning schemes and evaluate the programmes already completed.

The guidelines issued (August 2006) by the Government of India (GOI) also stipulated integration of the plans prepared by the LSGIs with the departmental plans of the district and prepare the draft five year Plan and Annual Plans.

### **2.1.3.3 Integrated District Development Plan and Local Development Plan**

**The preparation of Integrated District Development Plan for the district and Local Development Plans had not yet been completed**

The State Government directed (February 2007) the District Collectors to prepare Local Development Plans (LDPs) for all LSGIs and Integrated District Development Plans (IDDPs) for the districts under the auspices of DPC. The Plans were to consist of a Perspective Plan for 15-20 years and an Execution Plan for five years. In the district, the preparation of LDP and IDDP had not yet been completed. It was also seen that Annual Plans for the district had not been prepared.

The DPO stated (October 2011) that he had not received any directions from the Government for preparing Annual Plans of the district. Each LSGI prepared its Annual Plan and it was implemented after approval by the DPC.

In the absence of LDPs and IDDP, gaps in various developmental schemes remained unidentified and there was no assurance that the needs of the weaker sections of the society and prioritization of developmental programmes had been adequately addressed.

## **2.1.4 Financial Management**

### **2.1.4.1 Flow of funds**

Funds are allotted to the District Departmental Officers through the State Budget. The district level departmental officers release funds to their subordinate offices and other executing agencies, based on the approved allocation for individual schemes. In respect of certain Central Schemes like MPLADS, funds are released directly by GOI to the district administration. In respect of Central schemes like NRHM, GOI releases funds directly to the State level units from where funds are allotted to the district offices. The State Government allot funds directly to Panchayati Raj Institutions/urban local bodies for implementation of schemes under the decentralized planning programme. It was found that there was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under each programme/scheme implemented in the district. The position of funds received and expenditure incurred during 2005-10 in the case of certain selected departments/programmes is given in **Table 2.1**:

**Table 2.1: Position of funds received and expenditure incurred in the case of certain significant programmes**

| (₹ in crore) |  |                |                      |
|--------------|--|----------------|----------------------|
| Sl. No.      | Department/ Programmes   | Funds received | Expenditure incurred |
| 1            | Health – National Rural Health Mission (NRHM)                        | 28.88          | 27.90                |
| 2            | Education – Sarva Siksha Abhiyan (SSA)                               | 54.14          | 47.13                |
| 3            | Water Supply   | 58.45          | 60.67                |
| 4            | Prime Miniters Special Rehabilitation Programme (Vidarbha Package)   | 44.24          | 34.92                |
| 5            | State Horticulture Mission (SHM)                                     | 20.35          | 24.34                |
| 6            | Attappady Wasteland Comprehensive Environmental Conservation Project | 153.50         | 171.36               |
| 7            | MP Local Area Development Fund                                       | 19.00          | 17.97                |
| 8            | Special Development Fund for MLAs                                    | 41.25          | 36.43                |
| 9            | e-Literacy (Akshaya)   | 4.50           | 0.47                 |
| 10           | Scheduled Tribes Development Department                              | 11.06          | 11.46                |
| 11           | Integrated Tribal Development Project (ITDP) – Attappady             | 21.31          | 21.39                |
| 12           | Scheduled Castes Development Department                              | 93.10          | 93.24                |

Source: Departmental figures

Analysis of the fund management of the above schemes revealed significant deficiencies in the maintenance of accounts of Sarva Shiksha Abhiyan (SSA) and State Horticulture Mission (SHM) as detailed below:

**An amount of ₹ 50.23 lakh released by the district office of SSA remained unadjusted**

- As on 31 March 2010, ₹ 50.23 lakh released by the district office of SSA to the Block Resource Centres for various activities remained unadjusted.

**There was excess expenditure of ₹ 3.99 crore in the office of the Deputy Director of Agriculture**

- Funds allotted by SHM to its District Mission Offices were routed through the respective bank accounts. As per the bank account maintained by the District Mission at State Bank of India, Palakkad, the balance as of 31 March 2010 was ₹ 5.62 crore. As per the details of receipts and payments furnished by the Deputy Director of Agriculture (Horticulture), who was in charge of the District Office, there was an excess expenditure of ₹ 3.99 crore as on 31 March 2010. The Deputy Director did not prepare any annual financial statement or conduct any bank reconciliation.

The Deputy Director stated (October 2011) that the reconciliation of expenditure for the period 2005 to 2010 was being conducted and only on completion of the reconciliation, would it be possible to explain the differences.

## Social Services

### 2.1.5 Health

The District Medical Officer of Health (DMOH), Palakkad, functioning under the Health & Family Welfare Department was responsible for providing health care services to the people of the district. The services were provided through a network of six hospitals (one district hospital and five Taluk hospitals); a Tribal Speciality hospital at Kottathara; 20 Community Health Centres (CHCs); 75 Primary Health Centres (PHCs) and 504 Sub-Centres (SbCs).

Audit selected three CHCs (Nemmara, Parali and Agali), five PHCs (Nelliampathy, Ayilur, Keralasseri, Pudur and Sholayur) and 35 SbCs. The results of audit are summarized below.

### 2.1.5.1 Planning

NRHM was launched in April 2005 by the Government of India (GOI) with the goal of providing accessible, affordable and quality health care to the rural population.

The District Health Society (DHS) with the DMOH as the Chief Executive Officer and assisted by the District Programme Manager (DPM) is the district level implementing agency of NRHM. The DHS was required to prepare a Perspective Plan for the entire mission period 2005-12 and Annual Plans for the district. But no such plan for the district had been prepared though Annual Plans were being prepared for each year.

The DMOH stated (October 2011) that the Perspective Plan had not been prepared as there was no direction from higher authorities.

The reply of the DMOH is not acceptable as it was clearly mentioned in the guidelines for implementation of NRHM that a Perspective Plan should be prepared for each district.

### 2.1.5.2 Status of Infrastructure, Manpower and Services at Health Centres

As per the GOI norms, the population fixed for CHC, PHC and SbC was 1,20,000, 30,000 and 5,000 respectively (in plain area).

It was seen in Audit that the population norm fixed by GOI had not been completely adhered to in creation of CHCs, PHCs and SbCs. The population under a CHC ranged from 1,12,280 (CHC, Parali) to 258790 (CHC, Koduvayur) and in 40 PHCs the population was less than 30,000.

The major items of infrastructure to be provided in CHCs, PHCs and SbCs as per the Indian Public Health Standards (IPHS) and their availability position in respect of the centres visited by audit were as detailed in **Table 2.2**:

**Table 2.2: Details of infrastructure facilities in Health Centres audited**

| Sl. No | Particulars                                 | CHC (3)  |           | PHC(5)   |           | Sub Centre (35) |           |
|--------|---|----------|-----------|----------|-----------|-----------------|-----------|
|        |   | Required | Available | Required | Available | Required        | Available |
| 1.     | Clinic room                                 | 3        | 3         | 5        | 5         | 35              | 24        |
| 2.     | Waiting room (Out Patients)                 | 3        | 2         | 5        | 1         | 35              | 16        |
| 3.     | Separate utilities for male/female patients | 3        | 3         | 5        | 1         | 35              | 5         |
| 4.     | Labour room                                 | 3        | 3         | 5        | 1         | 35              | 0         |
| 5.     | Operation theatre                           | 3        | 3         | 5        | 2         | NR              | 0         |
| 6.     | Emergency/Casualty room                     | 3        | 2         | 5        | 2         | NR              | 0         |
| 7.     | Drinking water                              | 3        | 3         | 5        | 3         | 35              | 35        |
| 8.     | Generator                                   | 3        | 2         | 5        | 1         | NR              |           |
| 9.     | Oxygen cylinder                             | 3        | 3         | 5        | 4         | NR              |           |
| 10.    | Wheel chair/stretchers                      | 3        | 3         | 5        | 1         | NR              |           |
| 11.    | Ambulance                                   | 3        | 2         | 5        | 1         | NR              |           |

NR - Not required

Essential facilities like ambulance services, generators, labour rooms, operation theatres, etc were not available in test-checked CHCs, PHCs and SbCs

Audit scrutiny revealed the following:

- Almost all essential infrastructure facilities were available in all the three CHCs. Ambulance service was not available in one CHC.
- Waiting rooms for out-patients, separate utilities for male/female patients, labour rooms, generators, wheel-chairs/stretchers and ambulances were not available in four out of the five PHCs test-checked.
- Operation theatres and emergency/casualty rooms were not available in three out of five PHCs test-checked.
- No labour room was available in any of the sub-centres and separate utilities for male/female patients were available only in five out of the 35 test-checked SbCs.

The basic health care services required to be provided in various centres and their availability in the centres visited by Audit were as detailed in **Table 2.3**:

**Table 2.3: Details of health care services at various centres audited**

| Sl. No | Particulars                                 | CHC (3)  |           | PHC(5)   |           |
|--------|---|----------|-----------|----------|-----------|
|        |   | Required | Available | Required | Available |
| 1.     | In- patient services (IP)                   | 3        | 3         | 5        | 1         |
| 2.     | Delivery services                           | 3        | 1         | 5        | 0         |
| 3.     | Newborn care                                | 3        | 1         | 5        | 0         |
| 4.     | Emergency services                          | 3        | 1         | 5        | 0         |
| 5.     | Laboratory services                         | 3        | 2         | 5        | 1         |
| 6.     | Blood storage facility                      | 3        | 0         | NR       |           |
| 7.     | Ultra sound                                 | 3        | 0         | NR       |           |
| 8.     | X-Ray                                       | 3        | 2         | NR       |           |
| 9.     | ECG   | 3        | 2         | NR       |           |
| 10.    | Full range of family planning services      | 3        | 0         | NR       |           |
| 11.    | Paediatrics– care of sick children          | 3        | 0         | NR       |           |
| 12.    | Emergency obstetric care/ Caesarean surgery | 3        | 0         | NR       |           |
| 13.    | Surgery for Hernia, Hydrocele, Appendicitis | 3        | 0         | NR       |           |

NR – Not required

Audit scrutiny revealed the following:

- Delivery services, newborn care services and emergency services were available in only one out of the three CHCs test-checked.
- Blood storage facilities, ultra sound, full range family planning services, paediatrics-care of sick children, emergency obstetric care/caesarean surgeries and surgeries for Hernia, Hydrocele, Appendicitis were not available in any of the CHCs test-checked.
- Delivery services, newborn care and emergency services were not available in any of the PHCs test-checked.
- In-patient services and laboratory services were not available in four out of the PHCs test-checked.



The Government of Kerala fixed the staff strength in respect of CHCs, PHCs and SBCs as per IPHS in May 2008. In order to standardise the health institutions, the Government of Kerala decided (November 2008) that the manpower required as per the IPHS would be sanctioned in due course. The Government was still to provide the required manpower as per the IPHS standards. The actual number of staff in position against the required strength in the CHCs, PHCs and SBCs audited is as detailed in **Table 2.4:**

**Table 2.4: Details of manpower required and available in the various centres audited**

| Sl. No | Designation                  | CHC (3)  |               | PHC(5)   |           | SbC (35) |           |
|--------|------------------------------|----------|---------------|----------|-----------|----------|-----------|
|        |                              | Required | Available     | Required | Available | Required | Available |
| 1.     | Specialist Doctors           | 15       | Nil           | NR       |           | NR       |           |
| 2.     | Dental Surgeon               | 3        | Nil           | NR       |           | NR       |           |
| 3.     | General Duty Medical Officer | 18       | 14<br>(10+4)# | 15       | 5 (4+1)*  | NR       |           |
| 4.     | Staff Nurse                  | 57       | 22            | 25       | 4         | NR       |           |
| 5.     | Pharmacist                   | 9        | 3             | 10       | 3         | NR       |           |
| 6.     | Lab Technician               | 9        | 1             | 10       | 0         | NR       |           |
| 7.     | Radiographer                 | 6        | 0             | NR       |           | NR       |           |
| 8.     | Junior Public Health Nurse   | 3        | 3             | 5        | 5         | 35       | 25        |
| 9.     | Male Health Worker           | NR       |               | NR       |           | 35       | 0         |

NR – Not required

\*One Compulsory Rural Service Doctor only at Nelliampathy

# Four doctors appointed on contract basis

Audit analysis revealed the following:-

- Specialist doctors and dental surgeons were not available in the CHCs test-checked against the requirement of 15 and three respectively.
- There was shortage of 35 staff nurses (61 per cent) and 21 staff nurses (84 per cent) respectively in the test-checked CHCs and PHCs against the requirement of 57 and 25. Incidentally, no staff nurse was available in PHC Nelliampathy.
- Though X-ray machines were available in two out of three CHCs test-checked, the post of radiographer remained vacant in all the CHCs.
- There were only three pharmacists available in the test-checked CHCs and PHCs against the requirement of nine and 10 respectively.
- In the case of laboratory technicians, only one was available against the requirement of nine in CHCs and none was available in PHCs against the requirement of 10.
- Male health workers were not available in any of the SBCs test-checked.

The DMOH stated (October 2011) that the Government had not taken any steps for posting specialist/general doctors and other staff. It was also stated that there was scarcity of specialist/general doctors. However, the fact remains that the public was denied adequate health care facilities in the district, even though the infrastructure was available to some extent.

Non-utilisation of equipment worth ₹ 50.23 lakh in two hospitals due to absence of infrastructure facilities

### 2.1.5.3 Non-utilization of equipment

In Government Tribal Speciality Hospital (GTSH), Kottathara and District Hospital, Palakkad, it was noticed in audit that various types of equipment supplied under NRHM were not being utilised as detailed in **Table 2.5**:

**Table 2.5: Equipment not utilised in the Health Institutions**

| Name of Institution         | Name of item                                      | Month of supply/ receipt | Cost (₹in lakh) | Remarks  |
|-----------------------------|---|--------------------------|-----------------|--|
| GTSH, Kottathara            | Autoclave-Horizontal                              | March 2010               | 10.14           | Not put to use due to not providing three phase connection.  |
|                             | Fully Automatic Haematology Analyser              | June 2010                | 2.49            | Not used from June 2010 due to non-availability of reagents. |
| District Hospital, Palakkad | Anaesthesia Workstation                           | April 2010               | 3.95            | Operation theatre under renovation                           |
|                             | Multi parameter monitor                           | April 2010               | 1.46            | Trauma unit under construction                               |
|                             | Pulse Oxymeter                                    | May 2010                 | 3.62            | Trauma unit under construction                               |
|                             | Ventilator ICU                                    | December 2009            | 6.50            | Trauma unit under construction                               |
|                             | Ventilator Non invasive                           | February 2010            | 5.10            | Trauma unit under construction                               |
|                             | Cardiac Monitor                                   | December 2009            | 2.65            | Trauma unit under construction                               |
|                             | Defibrillator with cardiac Monitor                | January 2010             | 1.84            | Trauma unit under construction                               |
|                             | Arthroscopy camera, Instruments and shaver system | January 2010             | 12.48           | Operation theatre under renovation                           |
|                             | <b>Total</b>                                      |                          | <b>50.23</b>    |  |

The DMOH stated (October 2011) that the equipment was supplied by NRHM as part of State-wide supply by the State Government. The fact remains that NRHM procured the equipment without construction of infrastructure facilities, leading to non-utilisation of equipment in the above institutions for periods ranging from one to two years.

Surgical kits costing ₹ 1.01 crore were lying idle in the District Family Welfare Store

### 2.1.5.4 Failure to utilize surgical kits

The State Mission supplied (September 2007 and April 2008) 40 surgical kits in two batches of 20 (each kit costing ₹ six lakh) to the DMOH for distribution to various health institutions in the district. Each kit contained 11 sets (viz. surgical set I, II, III, IV, V, VI, IUD insertion kit, normal delivery kit, neonatal kit, blood transfusion kit and anaesthesia kit). The first batch of 20 kits was supplied to 16 institutions. The second batch of 20 kits was also to be supplied to the same institutions. Only three kits could be supplied as the institutions were not willing to accept further supplies. Seventeen kits (excluding three sets out of one kit) costing ₹ 1.01 crore were lying idle in the District Family Welfare Store since April 2008. In CHCs Nemmara, Agali and GTSH Kottathara, it was noticed that most of the items in the kits were not being put to use.

The DMOH stated (October 2011) that the supply was not against the indents from the institutions and surplus stock had not been transferred to other institutions as there was no request from them. The DPM stated (January 2011) that the kits were not utilised for want of specialist doctors in the respective hospitals. Evidently, the purchase was made without assessing the actual requirement or ascertaining the demands from the hospitals/centres concerned.



Idling surgical kits – (1) CHC, Agali

(2) GTSH, Kottathara

#### **2.1.5.5 Non/under-utilisation of facilities in the Tribal Speciality Hospital**

In the Tribal Hospital at Kottathara, Attappady, three posts of specialist doctors were sanctioned by the Government (June 2007) and the hospital was classified (November 2008) as a speciality hospital. The Government approved (October 2009) six posts of specialist doctors in medicine, surgery, gynaecology, anaesthesia, paediatrics, and ophthalmology. But no specialist doctors were appointed in the Hospital. In the absence of specialist doctors, the infrastructure facilities available in the hospital, like 54-bedded IP Ward, Operation Theatre (General and Ophthalmology), General ICU, Neo-natal ICU were under-utilised/not utilised.

The DMOH stated that specialists were not appointed due to scarcity of doctors.

#### **2.1.5.6 Failure to use Advanced Life Saving Ambulances**

Two Advanced Life Saving Ambulances fabricated at a cost of ₹ 56 lakh were allotted (March 2011) by the State Mission to Palakkad District for distribution to the District Hospital and GTSH, Kottathara. But these were lying idle in the District Hospital compound till September 2011.

The DMOH stated (October 2011) that one of the ambulances was put to use at the District Hospital and the one allotted to GTSH, Kottathara was transferred to Alapuzha as per directions of the Government. The tribal people of the area covered by GTSH, Kottathara were thus deprived of the ambulance facility.

### 2.1.5.7 Implementation of activities under NRHM

The objectives of NRHM are to reduce Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Total Fertility Rate (TFR). The performance of various activities under NRHM during 2005-10 was as follows:

#### (i) Accredited Social Health Activists (ASHA)

For promoting healthcare activities/programme under NRHM, trained female health workers called ASHAs were to be provided in the ratio of one per 1000 population to act as an interface between the community and the health care system. Against the target of 2800, 2686 ASHAs were appointed. Out of the above, 2,561 ASHAs were trained.

#### (ii) Janani Suraksha Yojana (JSY)

The Janani Suraksha Yojana is a safe motherhood intervention under NRHM being implemented with the objective of reducing maternal and neo-natal mortality. To promote institutional deliveries, JSY was introduced in April 2005 under which cash assistance of ₹ 700 each to BPL/SC/ST pregnant women for the first two live births for institutional and ₹ 500 for domiciliary deliveries were to be given. DMOH did not furnish the figures of the total number of SC/ST/BPL pregnant women and number of women to which the assistance was given for deliveries in hospitals under the Government and the private sector separately, for the years 2005-10 in the district. In the absence of adequate data, it could not be ascertained whether all eligible women were given the assistance.

As per NRHM guidelines, assistance to JSY beneficiaries should be made at the time of delivery. On a test check of the assistance made in CHC Nemmara, PHCs Nelliampathy, Keralassery and Ayilur, it was seen that out of 614 cases, only 12 cases were given assistance within 10 days from the date of delivery. In 597 cases, the delay ranged from 11 to 730 days and in five cases the delay was more than 730 days.

The DMOH stated (October 2011) that delay in payment of assistance was due to the inertia of the peripheral institutions.

#### (iii) Declining trend of delivery cases in Government hospitals

The details of deliveries in the district during the period 2005-10 are as detailed **Table 2.6**:

**Table 2.6 : Details showing institutional/domiciliary cases of delivery**

| Period  | Number of pregnant women registered | Number of deliveries    |                      |             |
|---------|-------------------------------------|-------------------------|----------------------|-------------|
|         |                                     | In Government hospitals | In Private hospitals | Domiciliary |
| 2005-06 | 49450                               | 19806                   | 27831                | 399         |
| 2006-07 | 49759                               | 10568                   | 18198                | 307         |
| 2007-08 | 48765                               | 21934                   | 24229                | 315         |
| 2008-09 | 48073                               | 8536                    | 28611                | 283         |
| 2009-10 | 43637                               | 7729                    | 30176                | 213         |

Source: Departmental figures

Audit scrutiny revealed the following.

- In the district, the number of domiciliary delivery cases was very low.
- In the case of institutional deliveries, the number of cases in Government hospitals showed a downward trend while there was an increase in deliveries in private hospitals during the period 2007-10. Though an amount of ₹ 28 crore had been spent for the years 2005-10 under NRHM, the public were depending more on private hospitals for services which indicated that the programme was not effective in raising the level of confidence among users by providing better services.
- There was a huge difference between the number of pregnant women registered and the number of delivery cases during 2006-07 and 2008-09. This indicated inadequate data collection and documentation.

**(iv) Ante-natal Care**

The table below indicates the details of ante-natal care given to pregnant women during 2005-10.

**Table 2.7: Details of ante-natal care to pregnant women**

| Year    | Number of pregnant women registered | Number administered       |                 |                     |
|---------|-------------------------------------|---------------------------|-----------------|---------------------|
|         |                                     | Three ante-natal check-up | Two doses of TT | 100 Iron/folic acid |
| 2005-06 | 49450                               | 36893                     | 44154           | 46619               |
| 2006-07 | 49759                               | 37450                     | 40135           | 19260               |
| 2007-08 | 48765                               | 36551                     | 39589           | 38135               |
| 2008-09 | 48073                               | 37944                     | 44551           | 28380               |
| 2009-10 | 43637                               | 32943                     | 38764           | 20286               |

Source: Departmental figures

Except for 2005-06, there was shortfall in administration of 100 iron/folic acid and three ante-natal check-ups.

The DMOH stated (October 2011) that the shortfall was due to data relating to private hospitals not being fully accounted for.

**(v) Family Planning**

The details of sterilization of women and men in the district were as detailed in **Table 2.8**:

**Table 2.8: Details of sterilization**

| Year    | Female sterilization |             |           | Male sterilization |             |                  |
|---------|----------------------|-------------|-----------|--------------------|-------------|------------------|
|         | Target               | Achievement | Shortfall | Target             | Achievement | Shortfall/excess |
| 2005-06 | 14015                | 11486       | 2529      | 101                | 65          | 36               |
| 2006-07 | 12000                | 10820       | 1180      | 91                 | 21          | 70               |
| 2007-08 | 12500                | 10642       | 1858      | 70                 | 26          | 44               |
| 2008-09 | 13100                | 11206       | 1894      | 100                | 341         | 241*             |
| 2009-10 | 13350                | 11003       | 2347      | 700                | 247         | 453              |

Source: Departmental figures

\* Achievement in excess of target

The target fixed for sterilization was not achieved in any of the years except for male sterilization during 2008-09.

The DMOH stated (October 2011) that non-achievement of the target was due to the change in attitude of the society.

### 2.1.5.8 National Programme for Control of Diseases

#### (i) National Vector Borne Diseases Control Programme

The National Vector Borne Diseases Control Programme is an umbrella programme for prevention and control of vector-borne diseases namely malaria, filaria, kala-azar, dengue, chikungunya and Japanese encephalitis through close surveillance, mosquito control through residual spraying of larvicides and insecticides and improved diagnostic and treatment facilities at Health Centres.

The reported cases of malaria, filaria, dengue and chikungunya during the period 2005-10 were as detailed in **Table 2.9**:

**Table 2.9: Details of vector-borne diseases reported in the District**

| Year    | Malaria | Filaria | Dengue | Chikungunya |
|---------|---------|---------|--------|-------------|
| 2005-06 | 87      | 77      | 26     | 765         |
| 2006-07 | 66      | 47      | 6      | 271         |
| 2007-08 | 95      | 230     | 8      | 50          |
| 2008-09 | 87      | 358     | 19     | 36          |
| 2009-10 | 94      | 134     | 12     | 4           |

Source: Departmental figures

The DMOH stated (October 2011) that surveillance of the migrant population would be strengthened for eradication of the diseases.

#### (ii) National AIDS Control Programme

The National AIDS Control Programme (NACP) was launched by GOI in 1992. The programme has been extended up to 2012 with the objective of reducing the spread of HIV infection in the country and to strengthen the capacity to respond to HIV/AIDS on a long term basis.

The interventions of NACP to reduce the spread of HIV infection and awareness camps conducted for early diagnosis and treatment of the targeted population falling in the age group of 15 to 49 in the District during 2005-10 were as detailed in **Table 2.10**:

**Table 2.10: Details of interventions under NACP in the District**

| Interventions of NACP                                 | 2005-06            | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|--------------------|---------|---------|---------|---------|
| Integrated Counselling & Testing Centre (ICTC)        | 4                  | 4       | 4       | 7       | 9       |
| No. of Blood Banks                                    | 2                  | 2       | 4       | 4       | 4       |
| No. of Blood Storage Centres                          | 1                  | 1       | 1       | 1       | 1       |
| No. of Blood separation units                         | 0                  | 0       | 0       | 0       | 0       |
| No. of population screened                            | 1698               | 4172    | 4900    | 8934    | 10192   |
| No. of HIV+ cases                                     | 121                | 204     | 174     | 221     | 265     |
| No. of fully blown AIDS cases                         | 102                | 109     | 159     | 171     | 345     |
| Awareness programme given to Sex Workers (SW)         | Data not available | 2188    | 2355    | 2597    | 2650    |
| Awareness programme given to Male Sex with Male (MSM) | Data not available | 632     | 648     | 712     | 1004    |

Source: State AIDS Control Society

- There was a steady increase in the screening of the targeted population from 1,698 to 10,192 during 2005-10, indicating the awareness of the population for the need to come forward for testing.
- The number of HIV (positive) cases detected increased from 121 to 265 and the number of fully blown up cases increased from 102 to 345 during 2005-10.
- The number of awareness camps conducted among the targeted groups, increased from 2,188 to 2,650 (SW) and from 632 to 1,004 (MSM) during 2006-10.

## 2.1.6 Education

Education is one of the most important indicators of social progress of a nation. Both the State and the Central Governments have been spending huge amounts in this sector, especially in the elementary education. The Sarva Shiksha Abhiyan (SSA) is one of the flagship programmes of the GOI for universalisation of elementary education.

### 2.1.6.1 Elementary Education

The SSA Programme was launched (2001) to provide quality elementary education to all the children of the age group of 6-14 years with active participation of the community, with special focus on educational needs of girls, SCs/STs and other children in difficult circumstances. The District Planning Committee comprising the District Collector and the District Panchayat President, assisted by the Deputy Director of Education, the Principal, District Institute of Educational Training and the Project Officer (SSA) is required to supervise the planning and implementation of the SSA programme in the district.

### 2.1.6.2 Enrolment

Under the SSA Programme, 100 per cent schooling of children of the targeted age group of 6-14 years was to be ensured. The enrolment of children of this age group (Standard I to VIII) for the years 2005-10 was as detailed in **Table 2.11:**

**Table 2.11: Details of enrolment of children of 6 to 14 years in the District**

| Year    | Number of schools |             | Enrolment |        |        |         |             |
|---------|-------------------|-------------|-----------|--------|--------|---------|-------------|
|         | Govt LP+UP        | Aided LP+UP | Govt      | Aided  | Total  | Unaided | Grand total |
| 2005-06 | 213+139           | 339+248     | 108866    | 217387 | 326253 | 23123   | 349376      |
| 2006-07 | 213+139           | 339+248     | 103343    | 214852 | 318195 | 24507   | 342702      |
| 2007-08 | 213+139           | 339+248     | 102005    | 223998 | 326003 | 25867   | 351870      |
| 2008-09 | 213+139           | 339+248     | 100132    | 211203 | 311335 | 27384   | 338719      |
| 2009-10 | 213+139           | 339+248     | 95553     | 208401 | 303954 | 27231   | 331185      |

Source: details furnished by SSA

Audit observed the following:

- There was a decrease in enrolment in Government/aided schools and increases in enrolment in unaided schools during 2005-06 to 2008-09.

The Project Officer stated (October 2011) that in most of the Government/Aided schools the medium of instruction was Malayalam. The

There was a decrease in enrolment of children in Government/aided schools during 2005-09

higher enrolment in unaided schools was attributed to the preference to English medium schools.

- As per Para 9.6 of the Manual on Financial Management and Procurement, a survey of the child population of the 6-14 years age group should be conducted and the information should be provided in the Perspective Plan of the district. No survey was conducted and data was not maintained. In the absence of the above, Audit could not ascertain the achievement of the objective of SSA for providing 100 per cent schooling to the targeted 6-14 years age group.

The Project Officer, SSA stated (October 2011) that in the absence of any directions from higher authorities, no survey of the child population had been conducted so far.

- Out of the total enrolment, the admission of girl students was very close to the expected 50 per cent.

### 2.1.6.3 Decrease in the strength of students in Government/Aided Schools

Decrease in the strength of students was noticed in respect of 17 out of 30 schools visited by Audit. Seven schools did not have the minimum required strength of students.

The Project Officer stated (October 2011) that the reasons for the decrease in strength were the decreasing trend in the birth rate in the State year by year and the increase in the number of unaided English medium schools. The Project Officer further stated that decline in Government/Aided schools might not be due to the better quality of education in unaided schools but was due to the medium of instruction.

### 2.1.6.4 Infrastructure

The deficiencies noticed in the infrastructure and amenities in 16 Government and 14 Aided schools test-checked in the selected panchayats were as detailed in **Table 2.12**:

**Table 2.12: Details of deficiencies in the infrastructure and amenities**

| Deficiency                        | Number of schools |            |
|-----------------------------------|-------------------|------------|
|                                   | Government (16)   | Aided (14) |
| Building – weak structure         | 2                 | 6          |
| Building - with AC roof           | 4                 | 1          |
| Class room – no separation wall   | 6                 | 8          |
| Girls Toilet -not available       | 3                 | 7          |
| -not sufficient                   | 3                 | -          |
| Drinking water                    | 3                 | 1          |
| Furniture shortage                | 7                 | 5          |
| Compound wall -not available      | -                 | 4          |
| -partial                          | 6                 | 2          |
| Kitchen room - not sufficient     | 5                 | 1          |
| Playground (UP)                   | 3                 | 1          |
| Electric connection-not available | 1                 | 1          |
| Laboratory -no separate room (UP) | 2                 | 2          |



- Ten (33.33 *per cent*) schools did not have any toilet facilities for girl students.
- Drinking water facilities were not available in four schools.
- Classroom separation walls were not provided in 14 schools.
- Aided Lower Primary School (ALPS), Kinavallur with a student strength of 140 did not have a pucca kitchen for cooking mid-day meals. The mid-day meals were seen prepared in an unhygienic environment at the entrance of the only toilet available in the school.



**ALPS, Kinavallur- Kitchen adjacent to Toilet**

The Project Officer stated (October 2011) that the matter of not having a pucca kitchen in ALPS, Kinavallur was intimated to the Assistant Educational Officer for immediate action. This indicated that improvement of infrastructure in the aided schools which was to be done by the Manager concerned, was not ensured by the educational authorities.

#### **2.1.6.5 Attendance in Schools**

In the schools visited by Audit, the attendance of the students was as detailed in **Table 2.13**:

**Table 2.13: Details of absence of students in the schools visited**

| Sl. No. | School                          | Date of visit | Total Strength | Absence on the day of visit |
|---------|---------------------------------|---------------|----------------|-----------------------------|
| 1       | AUPS Keralasserry,              | 28/01/2011    | 99 (I&IV std)  | 31 (31%)                    |
| 2       | ALPS Kinavallur                 | 03/02/2011    | 140            | 24 (17%)                    |
| 3       | Mount Carmel LPS<br>Mammana     | 31/01/2011    | 640            | 192 (30%)                   |
| 4       | Aarogyamatha LPS,<br>Kottathara | 01/02/2011    | 630            | 74 (12%)                    |
| 5       | GTUPS, Mattathukad              | 01/02/2011    | 87             | 19 (22%)                    |
| 6       | GTWLPS, Kathilakandi            | 01/02/2011    | 52             | 21 (40%)                    |

Audit observed that the attendance registers of students on the day of visit by Audit, showed blank against students who were absent instead of marking absent. The attendance on the date of visit was much lower than that normally indicated on other days.

The Headmasters of the schools stated that the reasons for the absence of students were illness, marriage of relatives, non-availability of transport etc.

The attendance of students is important not only from the academic point of view but also from the entitlements of a school for mid-day meals etc., which are directly linked to the number of students shown as present. Since attendance was lower than on other days in all the six schools visited, there was a need for effective supervision by the Educational Officers.

## **2.1.7 Water Supply**

Provision of adequate and safe drinking water to all citizens, especially those living in rural areas has been a priority area for both the Central and the State Governments. In Palakkad district, water supply schemes funded by the Central, State and agencies like NABARD, LIC were being implemented during 2005-10 by the Kerala Water Authority (KWA).

### **2.1.7.1 Status of Water Supply**

There were 11,883 habitations/wards in the State as on December 2008. All these 11,883 habitations attained fully covered status taking the private wells also into consideration. Out of the total habitations of 11,883, the habitations in Palakkad district were 1,136. The report prepared by KWA (October 2010) showed that there were 83 completed schemes and 11 schemes were in progress in the district.

### **2.1.7.2 Accelerated Rural Water Supply Programme**

The Accelerated Rural Water Supply Programme (ARWSP), a Centrally sponsored scheme was introduced in 1972-73 with the aim to ensure coverage of rural habitations with access to safe drinking water, sustainability of the systems and sources, to preserve quality of water by institutionalising water quality monitoring and surveillance.

The schemes taken up as well as on-going under ARWSP during 2005-06 to 2009-10 were not completed within the stipulated time. Five schemes were badly delayed and nine were in a standstill due to various reasons, as detailed in **Appendix 2.1** and **Appendix 2.2**.

The following observations were made in Audit:

- The delay in completion of five schemes which ranged from one to six years resulted in denial of benefits to the targeted population and also in cost escalation.
- Nine schemes taken up under ARWSP to benefit a population of 2.93 lakh in nine Panchayats remained incomplete after spending ₹ 18.28 crore due to improper planning.

### **2.1.7.3 Status of Water Supply schemes in three Panchayats**

The audit team visited (March 2011) three Panchayats viz, Ayilur, Parali and Keralasserry to check the status of water supply and the findings were as discussed further: -

**Under ARWSP during 2005-10, five schemes were badly delayed and nine schemes remained incomplete after spending ₹ 18.28 crore**

- Only six out of the 17 wards in Ayilur Panchayat were covered in the scheme (CWSS to Nemmara, Ayilur and Melarcode Panchayats) operated by KWA. Pumping could be done only on alternate days as only one 60 HP motor was available for two panchayats namely Ayilur and Melarcode. The remaining 11 wards were covered by mini schemes.

The Executive Engineer stated (October 2011) that there was one more stand-by pump set but could not be energized for want of additional power allocation.

- In Parali Panchayat the proposed comprehensive water supply scheme under ARWSP scheduled to be completed by August 2010 was not yet completed as the required permission for laying the pipe lines crossing the railway lines could not be obtained from the railway authorities.

The Executive Engineer stated (October 2011) that permission for railway crossing had since been obtained and the scheme would be commissioned by March 2012.

- In Keralassery Panchayat, no comprehensive scheme was available but mini-schemes were available.

The Executive Engineer stated (October 2011) that technical sanction for such a comprehensive scheme could not be obtained as the Panchayat did not furnish details of land availability.

Thus all the three test-checked Panchayats lacked access to safe drinking water as envisaged in ARWSP, as there were no comprehensive water supply schemes.



ARWSS Parali – Idling water treatment plant

#### **2.1.7.4 Water quality**

In the district, KWA has one Quality Control District Laboratory at Palakkad for water quality testing. Water Supply Schemes were categorized as A, B, C, D and E for quality testing according to the beneficiary population covered under the scheme. The frequency of tests to be conducted under each category and the number of samples to be tested are as detailed in **Table 2.14:**

**Table 2.14: Frequency of water quality tests**

| Category | Frequency   | No. of samples to be tested |
|----------|-------------|-----------------------------|
| A        | Monthly     | 15                          |
| B        | Monthly     | 11                          |
| C        | Bimonthly   | 09                          |
| D        | Quarterly   | 07                          |
| E        | Half-yearly | 03                          |

**(i) Targets and Achievements**

The targets fixed for water testing and achievement (tests actually conducted) for the period 2005-10 were as detailed in **Table 2.15**:

**Table 2.15: Details of samples of water tested**

| Year    | Target | Achievement |
|---------|--------|-------------|
| 2005-06 | 1132   | 1038        |
| 2006-07 | 1132   | 853         |
| 2007-08 | 1389   | 1212        |
| 2008-09 | 1625   | 1552        |
| 2009-10 | 1625   | 1512        |

It may be seen that the achievement of water quality testing conducted by the Quality Control District Laboratory was almost close to the target fixed by KWA.

**(ii) Analysis of sample tests of CWSS Nemmara**

As per the standards, safe drinking water should be free from bacteria. Audit scrutinized the reports on quality tests of water samples collected from six sampling points of CWSS Nemmara. The reports repeatedly indicated presence of bacteria (Coliform/ E-coli) as detailed in **Table 2.16**:

**Table 2.16: Repeated presence of bacteria in sampling points of CWSS Nemmara**

| Sampling points                   | Date of testing | Presence of Bacteria (No./ per 100ml) | Date of testing | Presence of Bacteria (No./ per 100ml) | Date of testing | Presence of Bacteria (No./ per 100ml) |
|-----------------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|
| OHSR Nemmara                      | 22/10/2009      | 1100+                                 | 28/12/2009      | 210                                   | 25/02/2010      | 1100+                                 |
| Tap at NSS College, Nemmara       | 10/08/2009      | 93                                    | 22/10/2009      | 1100+                                 |                 |                                       |
| DP at St. John's School, Akapadam | 28/12/2009      | 1100+                                 | 25/02/2010      | 29                                    | 07/12/2010      | 1100+                                 |
| Treated Water                     | 10/08/2009      | 42                                    | 07/12/2010      | 1100+                                 |                 |                                       |
| DP at Pothundy Junction           | 28/12/2009      | 1100+                                 | 25/02/2010      | 21                                    | 07/12/2010      | 1100+                                 |
| DP at VALP School, Aluvassery     | 28/12/2009      | 1100+                                 | 07/12/2010      | 1100+                                 |                 |                                       |

Repeated presence of bacteria in the samples collected from the same sampling points indicated that KWA did not take remedial action to eliminate the bacteria and failed to provide safe drinking water to the population covered under the scheme.

Audit analysed the test results of 44 samples tested in respect of CWSS, Nemmara and Ayilur panchayats during the year 2010 and the details were as in **Table 2.17**:

Table 2.17: Details of test results of water samples

| Date of collection | Number of samples | No. of samples with presence of coliform bacteria* | Iron above permissible limit (1 mg/litre) | Turbidity above permissible limit (10 NTU) | Absence of Residual Chlorine (0 mg/litre) |
|--------------------|-------------------|--|---|--|---|
| 23/02/2010         | 9                 | 5  | -   | -  | -   |
| 21/04/2010         | 9                 | 1  | 1   | 4  | -   |
| 23/06/2010         | 8                 | 6  | 1   | 1  | -   |
| 06/08/2010         | 9                 | 8  | -   | -  | -   |
| 06/12/2010         | 9                 | 8  | 1   | -  | 9   |

\*permissible number of bacteria present in the sample is zero

The presence of coliform bacteria, iron, turbidity etc., indicated in the test results showed that KWA failed to supply safe drinking water even though there were water treatment plants in CWSS Nemmara and Ayilur.

### (iii) Analysis of samples of open wells

In 2010-11, the District Laboratory had taken 150 and 100 open well water samples from Parali and Keralassery Panchayats respectively for quality tests. All the samples showed the presence of coliform bacteria which indicated that the well water used in the panchayats was polluted and harmful for consumption.

## Economic Services

### 2.1.8 Scheduled Caste and Scheduled Tribe Development Department

#### 2.1.8.1 Housing to Scheduled Castes

The SC population in the district is 4,32,578, which accounts for 16.53 per cent of the total population. A housing scheme for the benefit of the SC population was implemented in the district through the District Development Officer for SCs. The grants provided for each house with a minimum plinth area of 323 sq. feet varied from ₹ 70,000 (2005-2006) to ₹ one lakh (2009-10). The amounts for the beneficiaries were to be disbursed in four instalments on completion of each stage of construction.

The total number of houses sanctioned, and those remaining incomplete during 2005-10 were as detailed in **Table 2.18**:

Table 2.18: Details of implementation of housing scheme

| Year of sanction | Number of houses |                               |                          |                                |
|------------------|------------------|-------------------------------|--------------------------|--------------------------------|
|                  | Sanctioned       | Completed as on 31 March 2011 | Percentage of completion | Incomplete as on 31 March 2011 |
| 2005-06          | 766              | 681                           | 89                       | 85                             |
| 2006-07          | 665 <sup>6</sup> | 571                           | 86                       | 94                             |
| 2007-08          | 1873             | 1607                          | 86                       | 266                            |
| 2008-09          | 2180             | 1759                          | 81                       | 421                            |
| 2009-10          | 2175             | 1302                          | 60                       | 873                            |
| <b>Total</b>     | <b>7659</b>      | <b>5920</b>                   | <b>77</b>                | <b>1739</b>                    |

Out of the 7,659 houses sanctioned during 2005-10, 5,920 houses were completed (77 per cent)

<sup>6</sup> Construction and handing over the houses were entrusted to Kerala State Nirmithi Kendra

- From the above table, it was noticed that the percentage of completion of houses ranged from 60 to 89. However, an amount of ₹ 9.22 crore had already been released (2005-10) to the beneficiaries towards construction of houses but 1,739 houses remained incomplete at various stages. It was stated by the department that the non-completion of houses was due to insufficient financial assistance from the Government and financial hardships of beneficiaries.

### 2.1.8.2 Housing to Scheduled Tribes

Against the sanction of 799 houses to STs during 2006-10, only 356 houses were completed (45 per cent)

The Scheduled Tribe population in the district is 39,665 which is 1.52 per cent of the total population of the district. The housing scheme for the benefit of ST population was implemented in the district through the Tribal Development Officer and the Project Officer, Integrated Tribal Development Project (ITDP), Attappadi. The rates of assistance for each house varied from ₹ 75,000 (2006-07), ₹ one lakh (2007-09) to ₹ 1.25 lakh (2009-10).

The details of houses sanctioned to the ST population in the district during 2006-10 were as detailed in **Table 2.19**:

**Table 2.19: Details of houses sanctioned and incomplete**

| Year of sanction | Sanctioned                 |                       | Incomplete as on 31 March 2011 |            |                       |            |
|------------------|----------------------------|-----------------------|--------------------------------|------------|-----------------------|------------|
|                  | Tribal Development Officer | Project Officer, ITDP | Tribal Development Officer     |            | Project Officer, ITDP |            |
|                  |                            |                       | No.                            | Percentage | No.                   | Percentage |
| 2006-07          | 175                        | 130                   | 94                             | 54         | 13                    | 10         |
| 2007-08          | 18                         | 20                    | 4                              | 22         | 5                     | 25         |
| 2008-09          | 22                         | 20                    | 10                             | 45         | 13                    | 65         |
| 2009-10          | 154                        | 260                   | 124                            | 81         | 180                   | 69         |
| <b>Total</b>     | <b>369</b>                 | <b>430</b>            | <b>232</b>                     | <b>63</b>  | <b>211</b>            | <b>49</b>  |

It was noticed in audit that the percentage of shortfall in completion of houses sanctioned by the District Tribal Development Officer and the Project Officer, ITDP was 63 and 49 respectively. The Project Officer, ITDP stated (March 2011) that the non-completion of houses was due to the shortage of building materials, wide fluctuations in the cost of materials, hike in transportation cost of materials, etc.

### 2.1.9 Member of Parliament Local Area Development Scheme

Under MPLADS, each Member of Parliament (MP) can identify and suggest developmental works based on locally felt needs for the creation of durable assets. The allocation to each MP per year is ₹ two crore. In Kerala, the Planning and Economic Affairs Department has been declared as the nodal department for MPLADS. The District Collector is responsible for sanctioning the works recommended by the MPs, get the works executed and hand over the same to the concerned department or user agency.

Audit scrutiny of the implementation of the scheme revealed that the unspent/uncommitted balance left in respect of former MP of Palakkad in the 14<sup>th</sup> Lok Sabha was ₹ 76,41,535. This was redistributed (August 2011) equally among all the 20 MPs of the State representing the 15<sup>th</sup> Lok Sabha based on GOI directions (May 2010). Thus the people of Palakkad Lok Sabha constituency were deprived of developmental works of the above mentioned amount.

### 2.1.10 Special Development Fund for Members of Legislative Assembly

₹ 19.62 crore released under MLA SDF remained unutilised in the TSB accounts

The ‘Special Development Fund for Members of Legislative Assembly’ (MLA SDF) was notified in October 2001 to enable Members of the Legislative Assembly (MLA) to create durable assets for public use at large. The implementation of the scheme was governed by guidelines issued by the State Government. The annual allotment under the scheme to each MLA was ₹ 75 lakh per annum. The scheme is fully funded by the State Government and the funds released under the scheme are non-lapsable.

The District Collector is the nodal officer for the release of funds for the works recommended by MLAs under the scheme of MLA SDF. During the period 2005-10, the District Collector received ₹ 41.25 crore for the scheme and sanctioned 1774 works amounting to ₹ 40.96 crore. Out of the above, 1,653 (93 per cent) works had been completed.

Audit revealed the following;

- An amount of ₹ 19.62 crore was lying in the Treasury Savings Bank accounts unutilised as on 31 March 2010. A minimum balance of ₹ 3.74 crore was parked in the account from March 2008 onwards.
- A total of 121 works were not completed for reasons such as non-availability of materials, public objection, vagaries of nature, revision of estimates, delays in getting sanction from various departments, etc.

### 2.1.11 Prime Minister’s Special Rehabilitation Package (Vidarbha Package) Agriculture

An amount of ₹ 1.89 crore out of ₹ 2.71 crore was lying unutilised in a bank account

Palakkad district was included under the PM’s Special Rehabilitation Package (Vidarbha Package) for farmers in suicide-prone districts of the country. One component of the scheme was micro-irrigation (drip/sprinkler Irrigation). The objective of the component was to increase crop productivity; conservation of water, sustainable use of water, etc. GOI released (September 2006) ₹ 2.71 crore for implementation of the programme in the district, out of which ₹ 1.89 crore was lying unutilised in a bank account operated by the Principal Agricultural Officer (PrAO) as on 31 July 2010. The details of the physical target and achievement were as detailed in **Table 2.20**:

**Table 2.20: Details of drip /sprinkler Irrigation**

| Year    | Drip Irrigation (In Ha) |             | Shortfall (Percentage) | Sprinkler Irrigation(In Ha) |             | Shortfall (Percentage) |
|---------|-------------------------|-------------|------------------------|-----------------------------|-------------|------------------------|
|         | Target                  | Achievement |                        | Target                      | Achievement |                        |
| 2006-07 | 1290                    | 483.46      | 63                     | 1000                        | 94.30       | 91                     |
| 2007-08 | 804.60                  | 394.47      | 51                     | 901.93                      | 62.06       | 93                     |
| 2008-09 | 304                     | 316.34      | -                      | 816.40                      | 59.21       | 93                     |
| 2009-10 | 548                     | 229.08      | 58                     | 752.60                      | 46.14       | 94                     |

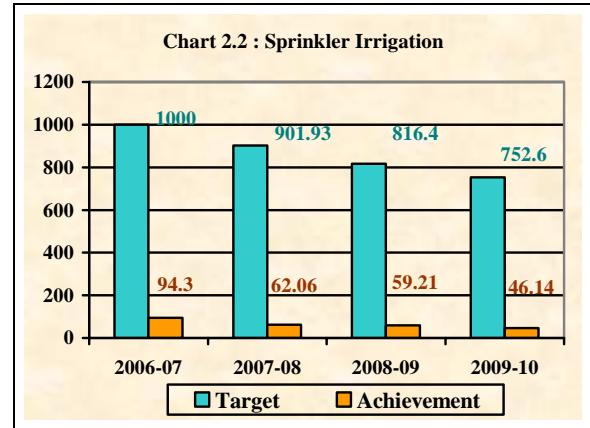
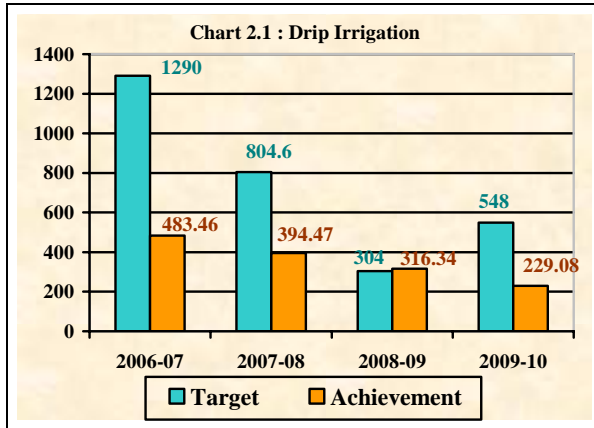
The low utilization indicated that there was not much demand for the scheme in the region.

The reasons stated by the PrAO were:

- high cost of material of installations as per the GOI norms;
- low rate of subsidy in comparison to the cost of material;

(iii) adequate rainfall from May to October.

It was observed that the PrAO had not brought out the reasons for non-popularisation of the scheme to the notice of the Government.



## 2.1.12 State Horticulture Mission

The State Horticulture Mission (SHM) was set up to implement the National Horticulture Mission Programme, a Centrally sponsored scheme, introduced during the financial year 2005-2006. The objectives of the mission were to provide holistic growth of the horticulture sector, to enhance income support to farm households and to create opportunities for employment generation. SHM is headed by a Mission Director at the State level. The District Horticulture Mission with the PrAO as the Vice Chairman and the Deputy Director of Agriculture (Horticulture) as the Member Secretary is the implementing agency at the district level. The programme was implemented through Krishi Bhavans of the district.

### 2.1.12.1 Planning

The mission period was 2005-12 (which was extended up to 2017). The programme was implemented based on Annual Action Plans (AAP) approved by the Mission Director.

### 2.1.12.2 Implementation

Progress reports of AAP in the district showed that the targets fixed could not be achieved. The targets and achievements for the period 2005-09 (details for 2009-10 not furnished) as on 31 March 2009, in respect of major components of the programme, namely (i) production of planting materials (ii) establishment of new gardens (iii) rejuvenation/productivity enhancement (iv) organic farming (v) establishment of marketing infrastructure (vi) project-based activities were as detailed in **Table 2.21**:



Table 2.21: Details of programmes implemented under SHM

| Sl. No.  | Item/component                                   | Unit    | Physical |             | Shortfall (per cent) |
|----------|--|---------|----------|-------------|----------------------|
|          |  |         | Target   | Achievement |                      |
| <b>1</b> | <b>Production of planting materials</b>          |         |          |             |                      |
|          | Rehabilitation of existing tissue culture units  | Number  | 7        | 2           | 71                   |
|          | Seed infrastructure                              | Number  | 31       | 31          | 0                    |
|          | Vegetable seed production                        |         |          |             |                      |
|          | Public sector                                    | Hectare | 14.50    | 1.10        | 92                   |
|          | Private sector                                   | Hectare | 12.00    | 2.00        | 83                   |
| <b>2</b> | <b>Establishment of new gardens</b>              |         |          |             |                      |
|          | Fruits   | Hectare | 11113.70 | 5598.70     | 50                   |
|          | Vegetables                                       | Hectare | 1211.00  | 708.15      | 42                   |
|          | Flowers  | Hectare | 129.54   | 58.54       | 55                   |
|          | Spices   | Hectare | 4193.10  | 1595.99     | 62                   |
|          | Plantation crops                                 | Hectare | 1415.00  | 388.38      | 73                   |
|          | Mushroom   | Hectare | 112.00   | 40.38       | 64                   |
|          | Cocoa  | Hectare | 200.00   | 0           | 100                  |
|          | Medicinal plants                                 | Hectare | 50.40    | 22.10       | 56                   |
| <b>3</b> | <b>Rejuvenation/productivity enhancement</b>     |         |          |             |                      |
|          |  | Hectare | 5235.00  | 458.20      | 91                   |
| <b>4</b> | <b>Organic farming</b>                           |         |          |             |                      |
|          | Adoption of organic farming                      | Hectare | 1571.89  | 802.44      | 49                   |
|          | Vermi compost units                              | Number  | 620.00   | 183.50      | 70                   |
| <b>5</b> | <b>Establishment of marketing infrastructure</b> |         |          |             |                      |
|          | Rural markets                                    | Number  | 22       | 0           | 100                  |
|          | Wholesale markets                                | Number  | 27       | 0           | 100                  |
| <b>6</b> | <b>Project based activities</b>                  |         |          |             |                      |
|          | Plant health clinic                              | Number  | 5        | 0           | 100                  |
|          | Leaf tissue analysis lab                         | Number  | 3        | 0           | 100                  |
|          | Disease forecasting unit                         | Number  | 3        | 0           | 100                  |
|          | Bio control lab                                  | Number  | 1        | 0           | 100                  |

The above table shows the following:

- The achievements were far below the targets fixed. The percentage of non-achievement varied from 100 to 42. Hundred *per cent* achievement was seen only in respect of seed infrastructure.
- There was no achievement under the components 'Establishment of marketing infrastructure' and 'Project based activities' and hence the shortfall was 100 *per cent*.
- As on 31 March 2010, there was a balance of ₹ 5.62 crore lying in the bank account of the District Horticulture Mission, which showed that funds received for the implementation of the SHM programme were not being utilised efficiently.

The Deputy Director stated (October 2011) that shortage of staff at Krishi Bhavans and heavy workload of Agricultural Officers were the reasons for non-achievement of targets.

The reply of the Deputy Director is not acceptable as no steps were taken to utilise the Central assistance. Thus the objectives of the mission to enhance income support to farm households and to create opportunities for employment generation were denied to the farmers.

**There was no achievement in the components 'Establishment of marketing infrastructure' and 'Project based activities'**

### 2.1.13 Attappady Wasteland Comprehensive Environmental Conservation Project (AWCECOP)

The Attappady Wasteland Comprehensive Environmental Conservation Project sanctioned by the State Government in October 1995 was to be implemented in the tribal block of Attappady in Palakkad district at a total cost of ₹ 219.31 crore. The project envisaged sustainable development of Attappady by planning and implementing an eco-restoration programme in degraded areas through a variety of measures to arrest denudation of land and further deforestation; conserve water resources and consequently, stabilize the environment leading to economic development and employment generation for people below the poverty line, with focus on Scheduled Tribes, particularly women. The Government of Kerala entrusted (October 1995) the implementation of the project to the Attappady Hill Area Development Society (AHADS), Agali (a society registered under the Societies Registration Act, 1860) functioning under the LSGD. The total area and the identified wasteland project area were 745 sq.km and 372.43 sq.km respectively.

The project was partly funded by the Government of Kerala and partly through loans from the Japan Bank for International Co-operation (now Japan International Co-operation Agency (JICA)). The project period was seven years from March 1996, later extended up to December 2010.

#### 2.1.13.1 Planning

A Perspective Plan for the entire project period had not been prepared. AHADS stated that the original physical and financial targets proposed for the project needed to be modified due to the changed perspectives, taking into account need-based site specific requirements for the project. The physical targets were re-worked and the Final Implementation Programme (FIP) for the period 2006-07 to 2009-10 was approved (2006).

#### 2.1.13.2 Implementation of eco-restoration programme

The project envisaged sustainable development of Attappady by planning and implementing an eco-restoration programme in degraded forest areas through a variety of measures to arrest denudation of land and further deforestation; conserve water resources and consequently, stabilize the environment leading to economic development and employment generation for people below the poverty line, with focus on Scheduled Tribes, particularly women. The physical targets and achievements of the Final Implementation Programme of the project under the component eco-restoration were as detailed in **Appendix 2.3**. Audit scrutiny revealed the following:

- Out of 25 physical targets given for eco-restoration of degraded forest areas, the achievement in respect of 17 targets was over 90 *per cent*.
- The major shortfall in achievement was noticed in the structural conservation of forest land and water resource development. It was only 72 *per cent* in both the cases.
- A study on the impact of the project interventions for the period from 2001 to 2005 was conducted by the Kerala Agricultural University (KAU). The report showed that there had been a net positive impact of 11.8 *per cent* on

forest regeneration and 13.81 *per cent* on the private and degraded lands. No further study had been conducted by KAU on this project. Final evaluation and impact of eco-restoration achieved in implementation of the project was also not conducted by any agency.

### 2.1.13.3 Socio-economic development programmes

Socio-economic development programmes were incorporated as an objective of the project in 2002, mainly focusing on housing, sanitation, health, education and cultural improvement to the tribal population.

#### (i) Hamlet development

The details of targets and achievements of construction of houses taken up under the scheme during the project period were as given in **Table 2.22**:

**Table 2.22: Details of construction of Houses**

| Scheme                            | Target (Nos) | Achievement (Nos) | Shortfall ( <i>per cent</i> ) |
|-----------------------------------|--------------|-------------------|-------------------------------|
| Hamlet based development -Houses: |              |                   |                               |
| Phase I (up to 2008-09)           | 997          | 863               | 13                            |
| Phase II (2009-10)                | 1015         | 0                 | 100                           |

It was stated by AHADS (March 2011) that the shortfalls in achievement were due to lack of skills among the tribal people in civil engineering works, difficulty in accessing various interior hamlets during the rainy season, non-availability of building materials and skilled labour. The expenditure on the incomplete houses amounted to ₹ 28.73 crore.



**Completed houses –Model –Chemmanur Hamlet (Phase - I)**

#### (ii) Other Infrastructure

The new assets created by AHADS during the project period were either lying idle or not handed over to the departments concerned which are given in **Table 2.23**:

**Only 863 houses under hamlet based development scheme were completed against the target of 2012 houses**

**Table 2.23: Details of assets remaining unutilised**

(₹ in lakh)

| Name of asset   | Cost  | Date of completion | Reply by AHADS  |
|---|-------|--------------------|---|
| Building for Lower Primary School, Karara             | 5.00  | 28 February 2011   | The building was completed, but not handed over to the department (April 2011).   |
| Govt. Upper Primary School, Thazhemully               | 30.85 | 20 March 2011      | The building was completed, but not handed over to the department (April 2011).   |
| Staff quarters at Thazhemully                         | 10.50 | 31 March 2011      | The building was completed, but not handed over to the department (April 2011).   |
| Community Health Centre, Agali                        | 40.03 | 17 July 2010       | The building was completed and handed over to the Block Panchayat, but was found lying unutilised during the field visit. |
| Tribal Hostel for Girls, Kottathara                   | 32.34 | ---                | Only civil works were completed (February 2011).  |
| Staff Hostel, Government Tribal High school, Sholayur | 9.12  | ----               | Work was completed but not handed over (December 2010)  |



**Building for Government Upper Primary School, Thazhemully**

## General Services

### 2.1.14 e-District

The Government of India had approved (March 2007) the National e-Governance Plan (Ne-GP) in pursuance of its policy of introducing e-Governance on a massive scale. The Ne-GP vision aimed at making all Government services accessible to the common man in his locality, through common service delivery outlets ensuring efficiency, transparency and reliability of such services at affordable cost. To realise the above vision, 27 Central, State and Integrated Mission Mode Projects (MMPs) along with eight support components were identified under Ne-GP, to enable and facilitate rapid introduction of e-Governance in the country, with the focus on service delivery. e-District is one of the 27 MMPs under Ne-GP to target certain high volume services delivered at the district level to enable the delivery of these

services through common service centres in a sustainable manner within a specific time frame.

In Kerala, Palakkad was one of the two districts selected (March 2008) for implementation of the project at an estimated cost of ₹ 3.05 crore. Forty six services as detailed in **Appendix 2.4**, pertaining to six departments were to be provided under the project. The Kerala State Information Technology Mission (KSITM) was appointed as the implementing agency. GOI released ₹ 3.05 crore for the programme in March 2008.

#### 2.1.14.1 Status of Implementation

Though internet connectivity was provided by the KSITM at a cost of ₹ 43 lakh, connectivity was not established in 59 village offices

KSITM procured hardware and other accessories and distributed to all the village offices, taluk offices, Revenue Divisional Office and the District Collectorate. Internet connectivity (through BSNL) was also provided in all the above offices by the KSITM.

Audit revealed the following:

- Out of 46 services under the project, only 23 services relating to the Revenue Department were made online. The remaining 23 services relating to other departments were not yet made operational. The 23 Revenue Department services were not online in 59 village offices. It was operational only in 97 out of 156 village offices.
- Though internet connectivity was provided at a cost of ₹ 43 lakh in 153 village offices, the connectivity was not established in 59 village offices and hence the hardware procured and installed was not fully put to use in these village offices.

The e-District programme through e-services had not been fully achieved even after three years. The partial implementation of the e-District programme resulted in non-achievement of the objective of making all Government services accessible to the common man in his locality, through common service delivery outlets ensuring efficiency, transparency and reliability of such services at affordable cost. Besides, the common man was denied the facility for familiarisation/awareness of computers and the speedy access of various services envisaged in the programme.

#### 2.1.15 e-Literacy (Akshaya)

Only ₹ 47 lakh out of ₹ 4.50 crore was utilised for implementing the scheme and only 15 per cent of the households were benefited

As a part of providing Information Communication and Training (ICT) access to all sections of the society, the Government accorded (March 2007) sanction for implementation of the Akshaya project. The project aimed at generation of economic growth, creation of employment, providing training centres for IT literacy campaign and establishment of IT dissemination nodes and service delivery points to the common man. Under the project, at least one person in every family was to be given functional IT literacy training.

An amount of ₹ 4.50 crore was received during 2006-10 for implementing the project through Akshaya centres. Out of the above, only ₹ 47 lakh was utilised and only 15 per cent of the households were benefited through these centres.

The District Officer of Akshaya, Palakkad stated (March 2011) that computer literacy was mandatory everywhere including schools and most of the households became e-literate through other sources. This indicated that the

project was conceived without a proper pilot study or requirement analysis, resulting in blocking of funds to the tune of ₹ 4.03 crore as of March 2011.

#### **2.1.16 Conclusion**

The Government of India has increasingly been entrusting responsibility at the district/local level, especially at the level of the Panchayat Raj Institutions, to ensure efficiency and effectiveness in delivery of key services like health, education, drinking water etc. Audit scrutiny revealed that an Integrated District Development Plan for the district and Local Development Plans for each Local Self Government Institution were not prepared though the State Government had issued directions as early as in February 2007. Hence, there was no assurance that gaps in various developmental schemes/programmes had been identified. There was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under various schemes implemented in the District. Adequate manpower and infrastructure as per the Indian Public Health Standards were not provided. Medical instruments supplied were not properly utilised. Despite the intervention of the Sarva Shiksha Abhiyan, the strength of students in Government/aided schools decreased and the strength of students in unaided schools recorded an increase. Inordinate delays were noticed in the completion of houses taken up by the Scheduled Castes and Scheduled Tribes Development Department under housing schemes for SCs and STs.

#### **2.1.17 Recommendations**

The Government should

- Prepare an Integrated District Development Plan for effective implementation of the schemes and Local Development Plan in consonance with the Integrated District Development Plan for effective implementation of the schemes;
- Evolve a mechanism for scheme-wise accounting of receipts and expenditure of funds;
- Provide adequate manpower and infrastructure facilities for proper implementation of NRHM schemes;
- Restrict the purchase of equipment to the actual requirement and their optimum utilisation should be monitored.

## PUBLIC WORKS DEPARTMENT

### 2.2 Kerala State Transport Project

#### 2.2.1 Introduction

The Kerala State Transport Project (KSTP), aided by the International Bank for Reconstruction and Development (IBRD)<sup>7</sup>, was launched in June 2002 by the Government for improving the infrastructure in the State road sector. The project included transport corridor upgradation of 671.90 km (578.9 km of roads and 93 km inland waterways), maintenance of 1,009 km of roads, implementation of road safety measures and institutional strengthening of Public Works and Irrigation Departments at a cost of ₹ 1,255.68 crore, ₹ 247.20 crore, ₹ 20.16 crore and ₹ 45.60 crore respectively. Out of 578.9 km of road upgradation works, it was decided to take up 254.70 km of roads in Phase-I and 324.20 km of roads in Phase-II of the project.

Phase-I of the project consisted of upgradation works of roads (254.70 km), road maintenance component of 1009 km (37 packages) and upgradation of inland water transport canals (93 km). Upgradation work of roads was again divided into three packages (KSTP-1: 127.1 km, KSTP-3: 49.2 km and KSTP-4: 78.4 km). It was also decided to take up road maintenance components of 1,009 km in three years. The first year included 13 packages (RMC-1 to 13 – 339.1 km), the second year included 13 packages (RMC-14 to 26 – 350 km) and third year included 11 packages (RMC-27 to 37 – 320 km).

Phase-II of the project was designed for the upgradation of roads of 324.20 km and was divided into three packages (KSTP-5: 102.9 km, KSTP-6: 90 km and KSTP-7: 131.3 km).

Due to time and cost over-runs, the project was restructured (June 2008) by reducing the length of upgradation to 254 km and by enhancing the length of maintenance of roads from 1,009 km to about 1,200 km. There was no revision in the loan amount. The project period was 2002-2007, which was extended upto 31 December 2010. The major components of the restructured project were substantially completed and the loan was closed on 31 December 2010.

The total estimated cost of the project was US\$ 336 million (₹ 1,612 crore @ ₹ 48 per US\$), of which the IBRD share was US\$ 255 million (76 per cent), equivalent to ₹ 1,224 crore. The remaining funds of ₹ 388 crore (24 per cent) were to be provided by the Government of Kerala.

#### 2.2.2 Organisational set-up

A Steering Committee was constituted (October 2001) consisting of the Principal Secretary, Public Works Department; the Secretary, Finance Department; the Secretary, Irrigation Department and the Chief Engineer (CE), Roads & Bridges. The Government formed (April 2002) a separate Project Management Team (PMT) headed by the Project Director (PD), an Engineering wing headed by the Chief Engineer (Projects) and a Finance wing headed by the Finance Controller, for implementing the project. The

<sup>7</sup> An arm of World Bank

upgradation works were supervised by Construction Supervision Consultants (Engineers), who reported to the PMT through the CE (Projects).

### Audit Findings

The deficiencies noticed in audit in the implementation of the project are discussed in the following paragraphs.

#### 2.2.3 Planning of the project

Lack of planning in acquisition of land resulted in time and cost over-runs

The main deficiency of planning of the project was the inordinate delay in the land acquisition process. Land required for widening of the roads was not acquired and handed over to the contractors in time, and hence the works were delayed. The land acquisition procedure was initiated only after inviting bids, as Government decided (October 2000) to initiate the land acquisition process after obtaining the sanction of the IBRD loan. This ultimately contributed to delay in implementing the project and resultant cost over-runs.

#### 2.2.4 Financial Management

##### 2.2.4.1 Receipts and expenditure -Arrangement for financing the project

The Government of India (GOI), the State Government and IBRD signed a loan and project agreement in May 2002. As per the agreement, GOI was to open a special account with the Reserve Bank of India to receive project disbursements from IBRD and then make these funds available to the Government under the standard Additional Central Assistance mechanism on a 70 per cent loan and 30 per cent grant basis. All project funds were to be budgeted in the Government's budget as an identifiable single budget item each year. The estimated cost of the project was US\$ 336 million and it was to be shared between IBRD (US\$ 255 million equivalent to ₹ 1,224 crore) and the Government (US\$ 81 million equivalent to ₹ 388 crore) in the ratio 76:24. The project period was from June 2002 to December 2007. The US\$ exchange rate also varied from ₹ 48 in 2002 to ₹ 39 in 2007 and from ₹ 39 in 2007 to ₹ 45.55 in 2010. The variation in the exchange rate of US\$ resulted in reduction of the expected loan amount in Indian rupees from ₹ 1,224 crore to ₹ 1,036.96 crore and the State's share increased from ₹ 388 crore to ₹ 593.66 crore. The details of receipts and expenditure during 2002-03 to 2011-12 (up to 31 July 2011) were as detailed in **Table 2.24**:

Table 2.24: Details of receipts and expenditure up to 2011-12

| Year         | Receipts        |               |                            |                 | Expenditure     |
|--------------|-----------------|---------------|----------------------------|-----------------|-----------------|
|              | IBRD+GOI        | GOK           | Other sources <sup>8</sup> | Total           |                 |
| Upto 2005-06 | 467.31          | 237.35        | 7.77                       | 712.43          | 703.07          |
| 2006-07      | 145.28          | 56.70         | 1.22                       | 203.20          | 158.41          |
| 2007-08      | 36.45           | 115.84        | 1.87                       | 154.16          | 84.55           |
| 2008-09      | 43.65           | 14.32         | 4.14                       | 62.11           | 132.06          |
| 2009-10      | 101.77          | 176.56        | 2.87                       | 281.20          | 279.69          |
| 2010-11*     | 181.14          | 54.25         | 1.01                       | 236.40          | 196.10          |
| 2011-12*     | 61.36           | (-)61.36      | 2.50                       | 2.50            | 55.72           |
| <b>Total</b> | <b>1,036.96</b> | <b>593.66</b> | <b>21.38</b>               | <b>1,652.00</b> | <b>1,609.60</b> |

\*provisional figure

Source: Certified annual accounts and details collected from KSTP

<sup>8</sup> Sale of tender forms, bank interest, liquidated damages, restoration charges, tree cutting charges and other receipts



Audit scrutiny revealed the following:

- The actual cost sharing ratio between IBRD and the Government of Kerala were worked out as 63.59 per cent (₹ 1,036.96 crore) and 36.41 per cent (₹ 593.66 crore) against the envisaged 76 per cent (₹ 1,224 crore) by IBRD and 24 per cent (₹ 388 crore) by the Government of Kerala, due to fluctuation in the exchange rate of the US dollar and increase in the cost of acquisition of land.
- The PMT failed to get the expenditure of US\$ 22 million (₹ 105.60 crore) reimbursed from IBRD due to delayed execution of works. The failure had resulted in increase of the State Government's share and a loss of ₹ 29.04 crore as assistance from GOI.

## 2.2.5 Contract management

### 2.2.5.1 Indecision of KSTP resulted in hardships to the public and extra expenditure of ₹ 60.75 crore

**Delay in taking timely decisions by KSTP resulted in extra expenditure of ₹ 60.75 crore on rearrangement of work**

The work of KSTP I was awarded (November 2002) to a contractor at an estimated cost of ₹ 215.50 crore with the stipulated date of completion as 15 December 2005. A scrutiny of the work records revealed the following:

Owing to delay in handing over the site, delay in obtaining clearance from the Pollution Control Board for erecting bitumen mixing plant, etc. the work was prolonged and the contractor sought extension upto 31 May 2007. The contract was extended till February 2007.

As per the contract conditions, the monthly interim payments of upgradation works, had to be made to the contractors within 28 days of submission of interim payment certificates (IPC) to KSTP. KSTP followed this procedure till April 2006 and thereafter, discontinued payments without any recorded reasons, which resulted in the termination of the contract by the contractor in December 2006. At the time of termination, works amounting to ₹ 106 crore remained to be completed.

The work was re-tendered and the rates quoted by the bidders were very high compared to the previous contractor. Hence KSTP was forced to enter (December 2007) into a supplemental agreement with the previous contractor at an enhanced rate of 72.50 per cent on all items (except general items) in the Bill of Quantities. The extra expenditure incurred on this account worked out to ₹ 60.75 crore (₹ 55.96<sup>9</sup> crore difference between the cost of work as per original contract and on revised arrangement plus ₹ 4.79 crore for the temporary maintenance of the roads to make them traffic-worthy). The contractor also reserved the right to refer the claim to arbitration for prolongation cost and losses (of the contractor) upto 4 December 2006, subject to a maximum of ₹ 35 crore. Final decision of the arbitration was awaited (September 2011).

<sup>9</sup> Original contract value ₹ 215.50 crore – Amount excluded from the original contract ₹ 5.53 crore = ₹ 209.97 crore + cost escalation on completion of original contract ₹ 26.37 crore = ₹ 236.34 crore;

Final contract price on completion – Contract price worked out by audit = ₹ 292.30 crore - ₹ 236.34 crore = ₹ 55.96 crore

Delay in making timely payments and not taking timely decisions on extension of contract delayed the benefits of the road to the public for one and half years and caused extra expenditure of ₹ 60.75 crore and a contingent liability of ₹ 35 crore.

The PD stated (October 2011) that the extra expenditure worked out by Audit was not correct. He stated that if the work was continued without termination and completed in January 2011, the payment to the contractor would have been ₹ 273.32 crore and hence, the excess payment would work out only ₹ 18.98 crore (₹ 292.30 crore - ₹ 273.32 crore). He also stated that the loss of ₹ 4.79 crore on maintenance could not be considered as loss because the maintenance would be necessary had the previous contract been continued.

The reply is not acceptable because of the following reasons.

- (i) The due date for completion of the work could not be taken as January 2011 as the date was extended primarily due to the mismanagement of the project team and termination of the contract in December 2006 by the contractor as the bills were not paid by PMT as per the agreement. The work was suspended from December 2006 to November 2007 for which there was no justification.
- (ii) Even if the calculation of excess payment by the PD is taken as correct, there was a loss of ₹ 18.98 crore which could not be taken to be a small amount. Moreover, the delay of one year in completion (December 2006 to November 2007) was directly attributed to the termination of contract for which the project team was responsible.

#### **2.2.5.2 Excise Duty Exemption on a State financed work**

The work 'Heavy maintenance of Vizhinjam-Kovalam-Cheruvarakonam-Kaliyikavila road (RMC 63)' was tendered on 21 July 2010 for an estimated cost of ₹ 27.27 crore with the period of completion as nine months. The work was awarded in October 2010 and had not been completed (October 2011). The work was taken up by KSTP on the presumption that it would be executed with the IBRD loan and the same was mentioned in the Notice Inviting Tender. However, IBRD rejected (July 2010) the proposal, primarily due to the reason that the work would not be completed before the closure of the loan. The work was funded from the State fund. Excise duty exemption to the tune of ₹ 98.33 lakh<sup>10</sup> was given to the contractor for the above work as the provision for exemption was included in the tender documents. This exemption, which was available only for IBRD funded works, should have been excluded from the tender conditions, by means of an addendum or during the pre-bid meeting held in August 2010. The exemption of excise duty on a State financed work was a violation of the exemption conditions stipulated Notification No.108/95 – CE dated 28 August 1995.

The matter was referred to the Government (September 2011); reply has not been received (October 2011).

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<sup>10</sup> (2,343MT Bitumen & NRMB@ ₹ 27,000/MT plus 170MT Bitumen emulsion @29,020/MT) multiplied by 14 per cent Central Excise Duty and three per cent Education Cess.

### 2.2.5.3 Unjustified reckoning of price indices of plant and machinery in calculation of escalation

Price escalation was given for contractor's own equipment amounting to ₹ 12.56 crore

In the case of KSTPs III and IV, a provision was included in the agreement for price adjustment for increase or decrease in the cost of plant and machinery and spares procured by the contractor at 30 *per cent* as per the agreed formula. In terms of the General Conditions of Contract, plant included apparatus, machinery and other equipment intended to form part of permanent works. As KSTP III and IV were road projects, plant and machinery did not form a part of the permanent work as defined in the General Conditions of Contract. By including a provision for price escalation towards plant and machinery (which did not form part of the permanent work), KSTP bestowed undue benefits of ₹12.56 crore to the contractors.

The PD replied (August 2011) that the observation of audit that the plant and machinery was not forming part of the permanent work and the adjustment in this regard was an undue benefit to the contractor was not correct. It was also stated that the National Highways Authority of India and Ministry of Road Transport & Highways (MORTH) had followed the same procedure.

The reply of the PD is not acceptable as plant and machinery was not a direct input to any permanent work and it would be the property of the contractors after the termination of the contracts. Moreover, the terms and conditions of contract had clearly defined the plant and machinery. The price escalation allowed by KSTP for plant and machinery was against the definition given in the contract.

## 2.2.6 Project Implementation and Programme Management

### 2.2.6.1 Targets and achievements

The physical targets and achievements of the three major components of the project were as follows and details of the sub-components are described in **Appendix 2.5**.

Table 2.25: Physical targets and achievements of three major components

| Component                         | Original target (OT) | Revised target (RT) | Achievement    | Percentage of achievement with respect to RT |
|-----------------------------------|----------------------|---------------------|----------------|--|
| Corridor upgrading                | 671.90 km            | 331 km              | 254 km         | 76.73  |
| Road maintenance                  | 1,009 km             | 1,200 km            | 1,156 km       | 96.33  |
| Road safety engineering programme | 50 black spots       | 30 black spots      | 37 black spots | 123.33                                       |

Source: Project Appraisal Document and Implementation Completion Report

In addition to the above physical target, the project also envisaged reduction in roughness of the road to a level of less than 4.5m/km, reduction of travel time by 20 *per cent* and reduction in road accidents. Achievement of reduction in roughness index<sup>11</sup> was commendable as the roughness index obtained was less than 4.5 m/km.

<sup>11</sup> International roughness index is used to define a characteristic of the longitudinal profile of a travelled wheel track and constitute a standardized roughness measurement. The commonly recommended units are meters per kilometer (m/km) or millimeters per meter (mm/m)

Audit scrutiny revealed the following:

- In the case of corridor upgradation works, the original target was reduced by more than 50 *per cent* when the project was restructured. The revised target was also not achieved due to non-implementation of 77 km of inland water transport canals. The KSTP-I & IV packages were also not fully completed as the side drain works were incomplete in some stretches.
- The revised target fixed for the completion of work on black spots<sup>12</sup> was 30 and KSTP showed that 37 had been completed. The claim of KSTP was not correct. It was seen that KSTP completed the works on only 25 black spots and the figure of 37 was arrived at by showing more than one work done at the same spot and reckoned as a different black spot.
- As per the State Crime Records Bureau's data, the number of accidents in all the State roads reduced from 42,363 to 35,046 during the years 2005-10, whereas the fatality rate of accidents was on the higher side. No separate study was conducted to assess the accident and fatality rates on KSTP roads.

#### **2.2.6.2 Time and Cost over-runs**

The upgradation packages and Road Maintenance Component (RMC) works under Phase-I of the project were to be completed by December 2005 and December 2006 respectively. Phase-I of the project included upgradation packages, road maintenance component, road safety works and institutional strengthening action plan. Delay in land acquisition, frequent transfer of PDs, inadequate supervision by engineers etc. resulted in non-completion of Phase-I of the project in time.

It was seen that the physical target of upgradation of roads was reduced from 578.9 km to 254 km, showing a reduction of 56.12 *per cent*, whereas the percentage of reduction of expenditure was 40.86 (expenditure decreased from ₹ 1,214.88 crore to ₹ 718.51 crore<sup>13</sup>). As a result, the cost per kilometre for the upgraded roads in Phase-I increased from ₹ 2.09 crore to ₹ 2.82 crore, showing an increase of 35 *per cent*.

The physical targets fixed for the road maintenance component were revised from 1,009 km to 1200 km and 1156 km of the work had been completed. An amount of ₹ 612.04 crore was spent against the original allocation of ₹ 279.36 crore. The actual completion of RMC work was increased by 14.57 *per cent* but the percentage of enhancement in cost was 92.27. In respect of other components in Phase-I an amount of ₹ 100.83 crore was spent against the allocation of ₹ 122.50 crore. The total expenditure for the project was ₹ 1,612.67 crore including the cost of land acquired for Phase-II (₹ 181.29 crore).

The allocation and expenditure of the project were as detailed in **Appendix 2.6**.

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<sup>12</sup> Accident prone areas in roads

<sup>13</sup> ₹ 715.09 crore for Phase-1 including land acquisition charges and ₹ 3.42 crore as balance work of KSTP IV executed through the work of RMC 48

The PD replied (October 2011) that if surrender of loan of US\$ 22 million (₹ 105.60 crore) and inclusion of about 200 km of additional heavy maintenance of roads as a substitute to Phase-II road improvement and resurfacing works was considered, the excess of expenditure over allocation would work out to 19 per cent.

The reply is not acceptable as the surrender of ₹ 105.60 crore would only reduce the allocation and not the expenditure. Besides, additional heavy maintenance of 200 km could not be a substitute for upgradation works of 324.20 km intended during Phase-II of the project.

### 2.2.6.3 Land acquisition

Land acquisition was essential under road upgradation packages for widening upto 15 m, relaying the pavements, side drain works, cross drainage works and reconstructing/widening of existing bridges and culverts.

The quantum of funds earmarked for land acquisition (LA) and rehabilitation of project-affected persons for Phases-I and II of the project and expenditure incurred thereon were as detailed in **Table 2.26**:

**Table 2.26: Target, achievement and expenditure of land acquisition**

| Particulars  | Area of land (Ha) |               | Land acquisition, Rehabilitation & Resettlement (R&R) |               |
|--------------|-------------------|---------------|---|---------------|
|              | Assessed          | Acquired      | Allotment   | Expenditure   |
|              |                   |               | (₹ in crore)  |               |
| Phase-I      | 42.23             | 65.78         | 67.44   | 108.20        |
| Phase-II     | 72.03             | 110.22        | 114.96  | 181.29        |
| <b>Total</b> | <b>114.26</b>     | <b>176.00</b> | <b>182.40</b>   | <b>289.49</b> |

Source: Details collected from PMT

The following deficiencies were noticed during audit scrutiny:

- There was excess expenditure of ₹ 107.09 crore for land acquisition and R&R compared to allotment and actual expenditure. The reasons for the excess expenditure were as under:
- The extent and cost of the land acquired went up by more than 50 per cent of the original projection.
- Government decision to acquire land only after getting approval from IBRD delayed the land acquisition process for Phase-I. The acquisition was started only in 2002 and continued till 2008.
- The land acquisition function was centralized and entrusted (April 2002) to a separate wing at KSTP headquarters, headed by the Director of Land Acquisition for Road Projects to speed up land acquisition activities. The office was abolished in June 2005 as centralization did not speed up the land acquisition activities.
- The estimation of the Project Co-ordination Consultant<sup>14</sup> with respect to the number of families affected by the project was incorrect as the actual

<sup>14</sup> A Project Co-ordination Consultant (PCC) was engaged to assist PWD in project preparation and management, introduce project design international standards and introduce PWD staff to internationally accepted project preparation practices. M/s Louis Berger International Inc., USA based firm was the PCC for KSTP

number of families affected was 30,811 against the estimated number of 20,455 families (8,313 families in Phase-I and 12,142 families in Phase-II).

- KSTP was not able to acquire land at certain points where upgradation works were to be taken up due to public obstruction, court cases etc., which resulted in non-construction of 12.9 km of side drains in KSTP I roads. The resultant adverse impact on the life and safety of the roads in these stretches could not be ruled out.

The PD admitted (October 2011) that land acquisition activities were started only after getting clearance for the project from the bank. He also stated that a Special Officer with field officers was also deputed for effective acquisition of land. But this was delayed due to non-availability of revenue staff. Entrusting the work to a private agency with experience also did not materialise due to objection from the revenue staff.

#### **2.2.6.4 Provision in Bill of Quantities for contractors' obligations**

##### **(a) General items**

The guidelines of the World Bank and the General Conditions of Contract (GCC) stipulated that contractors were responsible for providing the following items at their own cost:

- Security for the stipulated period in the form of bank guarantee or performance bond for the prescribed value to protect the employer's interest in case of non-performance of the contractor vide clause 10.1 of Conditions of Particular Application.
- Insuring the works, plants and machinery and third parties vide the preamble to the Bill of Quantity (BOQ) and clause 18.2 of GCC.
- Rectifying the works during the defect liability period vide clause 11.2 of GCC.

**Unwarranted inclusion of the items in the BOQ without corresponding specifications in the contract, resulted in extra payment of ₹ 9.84 crore**

On verification of the contract documents, it was noticed that the above items were included in the BOQ of the works of KSTP I, III and IV, contrary to the General Conditions of Contract, without mentioning the corresponding role of contractors in the agreement, which resulted in extra payment of ₹ 9.84 crore as detailed in **Appendix 2.7**.

In the exit meeting, the Secretary, Public Works Department agreed (October 2011) to the fact and stated that consistency would be taken care of in future contracts.

##### **(b) Providing safety barricading, signals, etc. for construction zone**

**Payments were made for incidental items, which should have been the responsibility of the contractor**

Contracts of the three upgradation works provided that the contractors should take all necessary measures for safety of traffic during construction and provide, erect and maintain barricades, including signs, markings, flags, lights and flagmen as may be required by the engineer for the information and protection of traffic approaching or passing the sections of the roads under improvement. Contrary to the above provisions, the Project Co-ordination Consultant provided separate BOQ items and ₹ 94.67 lakh was paid to contractors as shown in the **Table 2.27**.

Table 2.27: Details of incidental items included in BOQ and payment made

| Work         | Quantity as per BOQ (Linear metre) | Rate/ Linear metre | Amount (₹ in lakh) | Quantity of work done (Linear metre) | Payment made (₹ in lakh) | Length of road (in Km) |
|--------------|------------------------------------|--------------------|--------------------|--------------------------------------|--------------------------|------------------------|
| KSTP I       | 10,000                             | 207                | 20.70              | 3,600                                | 7.45                     | 127.11                 |
| KSTP III     | 10,000                             | 1460               | 146.00             | 5,700                                | 83.22                    | 49.20                  |
| KSTP IV      | 10,000                             | 213                | 21.30              | 1,880                                | 4.00                     | 78.40                  |
| <b>Total</b> |                                    |                    | <b>188.00</b>      |                                      | <b>94.67</b>             | <b>254.71</b>          |

Source: Agreements and Interim Payment Certificates

The quantities provided in the BOQ were the same in all the three works, though the length of the roads varied considerably. The rates (rate/Linear metre (lm)) of the contractors were also not comparable as the type of works were not specified in the contract.

In reply to an audit observation, the PD admitted (August 2011) that barricading and connected works were incidental items of work and would be the responsibility of the contractor. The PD also justified the inclusion of the items in the BOQ stating that the claim of the contractor could be limited to the quantity included in the BOQ.

The PD's reply, however, ignored the fact that the contractors would be paid for doing the work which they were required to do at their own expense.

#### 2.2.6.5 Tender evaluation and award of works

##### (i) Injudicious evaluation and award of RMC works

**Injudicious evaluation of tenders resulted in loss of ₹ 2.72 crore**

In accordance with clause 4.5.A (a), (b) and (c) of the procurement guidelines of IBRD, the contractor should have minimum annual financial turnover, completed similar work satisfactorily and executed minimum quantities of work, respectively. It was also stipulated in clause 4.5 C *ibid* that to qualify for a package of contracts for which bids were invited in one Invitation For Bids (IFB), the bidder must meet the aggregate of qualifying criteria for the individual contracts. KSTP invited tenders for 17 RMC works through a single notification. On evaluation by the PMT, one contractor became the lowest (L1) in RMC 34 and 35. However, the said contractor did not have the qualification to be awarded both the works together and he was awarded RMC 34. The RMC 35 was awarded to the third lowest (L3) contractor, as the second lowest (L2) contractor was not qualified. Had the PMT awarded the work of RMC 35 to L1 and RMC 34 to L2, an amount of ₹ 2.72 crore could have been saved as detailed in the **Table 2.28**:

Table 2.28: Details of L1, L2 contractors in respect of RMC 34 &amp; 35

(₹ in crore)

| RMC No. | Bid amount of L1 contractor | Bid amount of L2 contractor | Bid amount of L3 contractor | Work awarded to and amount (1) |              | Correct allocation as per audit (2) |              | Excess amount (1)-(2) |
|---------|-----------------------------|-----------------------------|-----------------------------|--------------------------------|--------------|-------------------------------------|--------------|-----------------------|
|         |                             |                             |                             | Contractor                     | Amount       | Contractor                          | Amount       |                       |
| RMC 35  | 14.59                       | 16.88                       | 17.84                       | L3                             | 17.84        | L1                                  | 14.59        | 3.25                  |
| RMC 34  | 15.46                       | 15.99                       | 17.84                       | L1                             | 15.46        | L2                                  | 15.99        | (-)0.53               |
|         |                             |                             |                             | <b>Total</b>                   | <b>33.30</b> |                                     | <b>30.58</b> | <b>2.72</b>           |

Source: Tender Evaluation Report

The PD replied (October 2011) that L1 was not qualified for RMC 35 as per Clause 4.5.A (b) and if the works were awarded as pointed out in audit, IBRD might have refused the reimbursement.

The reply is not acceptable as the L1 was disqualified only on combined evaluation but individually qualified for both the works (RMC 34 & 35). The PMT did not explore the possibility as suggested by audit in the above table at the time of evaluation of tender. If it was done, the payment of ₹ 2.72 crore could have been avoided.

#### **2.2.6.6 Execution of works**

##### **(i) Non-co-ordination between various agencies**

**Unfruitful expenditure due to non-co-ordination of various agencies**

The work 'RMC 47 – Additional heavy maintenance work of Ettumanoor-Ernakulam road' was awarded on 12 December 2008. During the course of execution of the work, the Kerala Water Authority (KWA) executed (October 2009) a Memorandum of Understanding (MoU) with KSTP to restore the road after re-laying a pipeline from Thalayolaparambu to Vaikom (Ch.19/500 to 26/284). As per the conditions of the MoU, KWA had to complete the re-laying work by November 2009. However, the work was completed only on 15 April 2010 with a delay of four and a half months due to the delay in commencement of pipe laying works by KWA. In the MoU, KWA agreed to restore the road as per the IRC and MORTH specifications. However, after the execution of the work by KWA, undulation on the surface of the road, breakage of old BT edge and surface and sinking of new surface were noticed. KHRI conducted field tests in the presence of KWA, which revealed that lack of compaction of the subgrade was the reason for the damage. Due to the poor execution of work by KWA and consequent poor condition of the road, the bituminous pavement including Water Bound Macadam had to be dismantled upto the required depth.

The Executive Engineer/ KSTP/Ponkunnam Division worked out ₹ 8.24 crore and ₹ 1.36 crore as the amounts recoverable from KWA for rate escalation and the cost of new item of works and towards loss of working days respectively. The total amount to be recovered from KWA was ₹ 9.60 crore.

Audit observed that public money spent on road restoration by KWA was wasted due to lack of supervision by PWD. The work should have been executed either directly by KSTP with the deposit amount from KWA or placed under the supervision of PWD.

The PD replied (October 2011) that the observations of audit would be considered by KSTP in future projects.

##### **2.2.6.7 Non-achieving the objectives of IWT pilot project**

**The objectives of the IWT pilot project were not fulfilled despite spending ₹ 17.06 crore**

The Inland Water Transport (IWT) pilot project aimed at upgradation of three feeder canals to the National Waterways III viz. Alappuzha-Kottayam, Kottayam-Vaikom and Alappuzha-Changanassery extending over a length of 93 km, for rehabilitation and improvement of the existing water transport system. It was aimed that part of the bulk cargo and passengers using road and rail would be diverted to waterways, which was most economical.



The activities involved in the component were clearing canals, side protection, dredging, construction of new jetties and repairs of existing jetties, construction of landings and terminals, construction of new bridges and foot-bridges, providing navigational aids and Environmental and Social Assessment Management Plan activities<sup>15</sup>.

The original contract for the implementation of the project was awarded (August 2003) to M/s. Bhageeratha Engineering Ltd for an amount of ₹ 60.90 crore, with the period of completion of 24 months (September 2005). M/s.RITES was the Engineer for the work. As the contractor was able to achieve physical progress of only 12.43 *per cent* by July 2005, the Engineer recommended termination of the work due to non-performance, failure to comply with notices of the Engineer, non-compliance with their obligations under the contract and poor financial status of the contractor. Besides, defective design of the Project Co-ordination Consultant also contributed to the failure. KSTP terminated the contract on 14 November 2005 and an amount of ₹ 12.27 crore was paid to the contractor. At the time of termination of the contract, the contractor had completed only 5.59 *per cent* of dredging work of 1,56,000m<sup>3</sup> and 2.65 *per cent* of the total length of 92,550 linear metre sheet piles to be provided for shore protection.

Later, the work was rearranged (December 2007). The rearranged work was for the construction of approach roads, foot bridges and re-modelling of some jetties. The contract amount for the balance work was ₹ 6.54 crore and the expenditure incurred was ₹ 4.79 crore. Hence the objectives of the IWT project were not fulfilled despite spending ₹ 17.06 crore.

The PD admitted (October 2011) that the objectives of the IWT project were not fully met due to the failure of the contractor's performance and other factors.

#### **2.2.6.8 Implementation of Institutional Strengthening Action Plan component**

**The objectives of ISAP could not be achieved even after spending ₹ 59.53 crore**

In order to formulate a strategy to develop the PWD's technical and financial capacity to effectively manage the State's core road network and to be responsive to road users' demands, the PWD decided to restructure its internal organization; develop human resource capacity; introduce modernized financial management practices; develop a road maintenance management information system; revise outdated codes and manuals; improve contracting and procurement procedures; introduce environmental and social impact monitoring and strengthen road safety engineering capacities by implementing an Institutional Strengthening Action Plan (ISAP). The ISAP consists of seven components with 41 elements. For the implementation of these elements, 68 actions were provided in the plan.

The seven components of ISAP were regulatory and strategic context, organization and management, road finance and maintenance, project management and financial management, public private partnerships, road

<sup>15</sup> Environmental and Social Assessment Management Plan has been devised to minimize construction and operations related impacts through tree plantation, oxbow land development, training on environmental enhancement, air quality monitoring, noise level monitoring, water quality monitoring and public consultation

safety and IWT development. A review of the components, ie. (i) effective statutory powers and framework for comprehensive road management (ii) IT capabilities enhancement and utilization and (iii) strengthen routine maintenance management were conducted and the following deficiencies were noticed:

***(i) Revision of PWD code and manual***

Actions such as land acquisition and resettlement procedures, cost estimating procedures, development and implementation of Environmental and Social Management functions and contract administration procedures were to be implemented by revision of PWD codes and manuals.

It was observed that the revision of codes and manuals were completed but it had not yet approved by the Government. Hence, the same has not yet been implemented by PWD.

The above fact was confirmed by the PD.

***(ii) Road Maintenance Management System (RMMS)***

RMMS was intended to enable the PWD in selecting roads for maintenance by giving utmost priority for most urgent roads. For the purpose, inventory details of pavement, junctions, horizontal curves, vertical alignment, bridge and culverts and data on condition of roads such as pavement condition, condition of shoulder, drainage and foot path, surface roughness, traffic volume, etc. were needed to be collected and fed directly into the system through the web.

It was observed that RMMS was not operational as the data could not be exported for analysis at the required level. Further, the data collection for RMMS was a continuous process and systems were not in place to ensure this.

The PD stated that RMMS is being under updation and data collection is also in progress.

***(iii) Geographical Information System (GIS) based Road Information and Management System***

GIS based Road Information and Management System was intended to prepare a base map for the whole State integrating all types of data like road networks and all other relevant data relating to roads to provide IT capabilities by integrating with RMMS using web enabled data.

It was observed that GIS and RMMS were not integrated and web enabled to receive data directly from the divisions and the sub-divisions.

The PD stated that RMMS was under updation, after which the RMMS would be integrated to GIS.

Thus, even after spending ₹ 59.53 crore on the installation of ISAP including the above elements, PMT did not fully achieve the objectives of modernization of PWD including maintaining and updating data on road networks.

The PD replied that (October 2011), necessary provisions to top-up the activities on ISAP initiatives would be made in KSTP-II.

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**2.2.7 Conclusion**

The main deficiency of the project was the inordinate delay in the land acquisition process. The actual cost sharing ratio between IBRD and the Government of Kerala was worked out at 63.59 *per cent* and 36.41 *per cent* as against the envisaged 76 *per cent* by IBRD and 24 *per cent* by the Government of Kerala. In the case of corridor upgradation works, the original target was reduced by more than 50 *per cent* when the project was restructured. In the case of RMC works, 1,156 km was completed against the original target of 1,009 km. The objective of upgradation of IWT canals was not achieved even after spending ₹ 17.06 crore. Institutional strengthening was not fully achieved. The World Bank rated the Implementation Performance and Development Objective of the project as moderately satisfactory.

**2.2.8 Recommendations**

- Land survey for acquisition may be conducted in a co-ordinated manner with the Revenue staff. All the pre-construction activities including land acquisition and utility shifting may be completed before awarding of the work.
- The design of works should be made in accordance with the provisions of the Indian Standard Code and Indian Road Congress currently in use, so as to suit the Indian conditions.
- A mechanism for co-ordinating road works of PWD, KSEB, BSNL, KWA and other agencies should be evolved.
- All out efforts should be made to implement various components of the institutional strengthening Action Plan.

## FINANCE DEPARTMENT

### 2.3 Special Development Fund for Members of Legislative Assembly

#### 2.3.1 Introduction

The 'Special Development Fund for Members of Legislative Assembly' (MLA SDF) was notified in October 2001 to enable Members of the Legislative Assembly (MLA) to create durable assets for public use at large. The implementation of the scheme in the State was governed by guidelines initially issued in October 2001 and revised from time to time, the last time being May 2004. The guidelines of the scheme prescribe the works that can be taken up and the works that are not permissible under the scheme. The annual allotment under the scheme to each MLA was ₹ 75 lakh per annum. The scheme is fully funded by the State Government and the funds released under the scheme are non-lapsable.

The audit of the implementation of the scheme during 2006-07 to 2010-11 in 16<sup>16</sup> (out of 48) Legislative Assembly Constituencies (LACs) of four districts (out of 14) was conducted by Audit during May- June 2011. The records relating to four District Collectorates and 20 implementing offices<sup>17</sup> were also test-checked. Audit also conducted physical verification of 30 works in 16 LACs. Funds released by the Government to these four districts during 2006-07 to 2010-11 were ₹ 182.54 crore and the total funds available including the opening balance were ₹ 232.18 crore. The expenditure incurred during the above period was ₹ 164.67 crore. The year-wise percentage of utilisation of available funds was as indicated in **Table 2.29**:

**Table 2.29: Details of utilisation of funds**

(₹ in crore)

| Year         | Opening balance | Funds Received | Total funds available | Funds expended | Closing balance | Percentage of utilization of available funds |
|--------------|-----------------|----------------|-----------------------|----------------|-----------------|--|
| 2006-07      | 49.64           | 36.03          | 85.67                 | 24.57          | 61.10           | 29   |
| 2007-08      | 61.10           | 36.67          | 97.77                 | 27.12          | 70.65           | 28   |
| 2008-09      | 70.65           | 36.80          | 107.45                | 31.68          | 75.77           | 29   |
| 2009-10      | 75.77           | 36.03          | 111.80                | 42.00          | 69.80           | 38   |
| 2010-11      | 69.80           | 37.01          | 106.81                | 39.30          | 67.51           | 37   |
| <b>Total</b> |                 | <b>182.54</b>  |                       | <b>164.67</b>  |                 |  |

Source: Details taken from extracts of Treasury Savings Bank deposit accounts of four District Collectorates, Thiruvananthapuram, Kollam, Kottayam and Malappuram.

#### Implementation of the scheme

As per the guidelines, each MLA was to give a choice of works to the District Collector (DC) concerned who was to get them implemented by following the established procedure. In regard to works in urban areas, they could be implemented through Commissioners/Chief Executive Officers of

<sup>16</sup> Malappuram District: Ponnani, Mankada, Kondotty, Kuttipuram; Kottayam District: Kottayam, Vazhoor, Changanassery, Kaduthuruthi; Kollam District: Kollam, Chathannur, Kottarakkara, Karunagappally; Thiruvananthapuram District: Thiruvananthapuram North, Kazhakkuttom, Kilimanoor and Nedumangad.

<sup>17</sup> 16 Block Development Offices of four selected districts, Executive Engineer of Local Self Government Department, Pattom, Thiruvananthapuram, Chest Diseases Hospital, Pulayanarkotta, Thiruvananthapuram, District Jail, Kollam and District Hospital, Kollam.

Corporations, Municipalities, etc, or through the heads of districts as per the option of the MLAs. The deficiencies noticed by Audit in the implementation of the scheme are described below:

### 2.3.2 Poor utilisation of funds

**During 2006-11 utilisation of funds was in the range of 28 to 38 per cent of the available funds**

The funds released were kept in non-lapsing treasury savings deposit accounts of DCs. As at the close of the year 2010-11, the balances remaining unspent in four districts totalled ₹ 67.51 crore. The expenditure during each year did not keep pace with the accretion of funds as was evident from the fact that the utilisation of funds during 2006-07 to 2010-11 was in the range of 28 - 38 per cent. Cancellation of 58 works by MLAs and delays in execution of works by the implementing agencies were the main reasons for the poor utilization of funds. The DCs attributed cancellation of works to non-feasibility of works, reluctance of beneficiary committees to take up work, same works taken up by other agencies as part of other schemes etc.

Out of ₹ 164.67 crore spent during 2006-11, Audit observed that ₹ 22.97 crore incurred on 1,007 works was objectionable because 972 works involving ₹ 21.61 crore were not permissible under MLASDF guidelines and 35 works involving ₹ 1.36 crore were executed by societies/ trusts without entering into any agreement with Government as envisaged in the guidelines, which stated that funds should be released to societies/trusts only after executing agreement with the Government.

### 2.3.3 Delays in issuing administrative sanctions

**In 21 per cent of works, delays in issuing administrative sanction were above six months**

As already stated, the guidelines required each MLA to give his choice of works to the concerned DC. The DC, after getting estimates from the implementing agencies/executing departments, was to issue administrative sanctions within 45 days (within 30 days from November 2009) from the dates of receipt of the proposals from MLAs. In the four test-checked districts, sanctions for 699 works (21 per cent), out of 3,381 works, were accorded by DCs after delays of more than six months after receipt of the proposals from the MLAs, the details of which are given in **Appendix 2.8**. The DC, Kollam cited (August 2011) the delays in preparation and submission of estimates and receipt of proposals from MLAs which were either not feasible or beyond their fund limit, as reasons for the delays. However, it was assured that action was being taken to ensure timely issue of administrative sanctions. The DC, Thiruvananthapuram stated (September 2011) that the delays in receipt of approved estimates and incomplete documents were the main reasons for the delays in according administrative sanctions. The Assistant Development Commissioner (General) Kottayam stated (September 2011) that the delays in issuing administrative sanctions were due to the delays in getting clarification reports, required documents not being furnished by the beneficiary organisations and delays in getting plans and adequate estimate reports for the works. The DC, Malappuram stated (June 2011) that the delays were due to delayed receipt of estimates from the implementing officials.

### 2.3.4 Lack of proper planning/feasibility study before sanctioning works

The Government issued (November 2009) instructions that the DCs should ensure availability of land, realistic estimates and necessary infrastructure before according sanctions for works under MLA SDF. A scrutiny of

sanctions of works revealed that administrative sanctions for works were issued without any planning and feasibility study and without ensuring the formation of beneficiary committees or competence of the beneficiary committees already formed, for taking up the works. This resulted in cancellation/non-completion of the works in Thiruvananthapuram, Kollam and Kottayam (no cancellation was noticed in Malappuram) districts as shown below:-

- Out of the 3,381 works sanctioned in 16 LACs, during 2006-11, 58 works were cancelled in Thiruvananthapuram (10), Kollam (32) and Kottayam (16) districts, details of which are enumerated in **Table 2.30**.

**Table 2.30: District-wise details of works cancelled**

| Sl. No.            | Name of District   | Type of work   | Number of works | Reasons   |
|--------------------|--------------------|--|-----------------|---|
| 1.                 | Thiruvananthapuram | a) Repairs and maintenance of roads                                  | 7               | Two works were not feasible and three were to be executed by Grama Panchayats concerned. No reasons were on record for the remaining five works.  |
|                    |                    | b) Construction of school building                                   | 2               |   |
|                    |                    | c) Construction of drain   | 1               |   |
|                    |                    | <b>Total</b>   | <b>10</b>       |   |
| 2.                 | Kollam             | a) Repairs to roads  | 9               | The DC, Kollam cited (September 2011) the following reasons for cancellation of works: (i) even though certain works were tendered, no one was willing to take up the works (ii) in the case of certain works, beneficiary committees were not ready to execute the works despite several notices issued (iii) certain works were seen executed by other agencies using funds other than MLA fund, even after the issue of administrative sanctions for the same works. |
|                    |                    | b) Construction of buildings for libraries, schools, hospitals, etc. | 11              |   |
|                    |                    | c) Others (purchase of computers for schools etc.)                   | 12              |   |
|                    |                    | <b>Total</b>   | <b>32</b>       |   |
| 3.                 | Kottayam           | a) Repairs to roads  | 14              | The Assistant Development Commissioner, Kottayam stated that due to delay in execution of works and other technical reasons, MLA had instructed that these works should be cancelled and the amount should be sanctioned for some other works. Accordingly, the works were cancelled and the amount had been sanctioned for other works.  |
|                    |                    | b) Construction of building to Kairali Grandhalayam                  | 1               |   |
|                    |                    | c) Electrification work  | 1               |   |
|                    |                    | <b>Total</b>   | <b>16</b>       |   |
| <b>Grand Total</b> |                    |  | <b>58</b>       |   |

Though no expenditure was incurred on these works, considerable time and resource had to be wasted for these works. Preparation of a database of schemes as suggested by the MLAs followed by assessment of their feasibility would have addressed this problem.

- The MLA of Ponnani LAC proposed (November 2008) the work of construction of a building for the Government Industrial Training Institute, Marancherry of Malappuram District (estimated cost: ₹ 25 lakh). The administrative sanction was accorded in March 2010. The

work was not started as the beneficiary association was unwilling to take up the work at the earlier Schedule of Rates (SOR). The MLA proposed additional funds of ₹ five lakh (July 2010) and two revised administrative sanctions were issued (January 2011) for ₹ 25 lakh and ₹ five lakh based on the prevailing SOR. The DC, Malappuram stated that the work was nearing completion (October 2011).

- In Mankada LAC of Malappuram District, three works costing ₹ 1.20 lakh and in Kaduthuruthy LAC of Kottayam District, the work of construction of a side drain at Sreekrishna Swami Kshethram road in ward No.18 of Kaduthuruthy Panchayat costing ₹ 50,000 had not been taken up so far, even though the administrative sanction and technical sanction for the same were accorded during 2008-09. This was due to non-cooperation on the part of beneficiary associations which were reluctant to take up the works. The DC Malappuram stated (September 2011) that action would be taken to cancel the works. In reply to an audit enquiry, the DC Kottayam stated (September 2011) that the MLA had recommended cancellation of the work.

### 2.3.5 Sanction for prohibited works

**Expenditure on 972 prohibited works amounted to ₹ 21.61 crore**

The guidelines prohibited execution of certain works such as construction of office, residential and other buildings relating to Central or State Governments, departments, agencies or organizations; works belonging to private institutions; repairs and maintenance of any type, etc., as detailed in **Appendix 2.9**. Further, the Government clarified (August 2005) that works for surface renewal/retarring of roads were not permissible under MLA SDF. However, it was noticed that in four selected districts, expenditure of ₹ 21.61 crore was incurred during 2007-11 on 972 works proposed by MLAs which were prohibited as per the scheme guidelines as detailed in the **Table 2.31** below:

**Table 2.31: Details of prohibited works**

| Type of prohibited works undertaken by DCs on the recommendation of MLAs   | Details of the execution of prohibited works |                 |  |
|--|--|-----------------|--|
|  | Number of LACs involved                      | Number of works | Cost of works as of March 2011 (₹ in lakh) |
| Construction works belonging to co-operative societies   | 3  | 5               | 11.64                                      |
| Construction works for commercial organizations like State Transport Corporation and renovation of public market | 6  | 7               | 147.31                                     |
| Construction works for a police station for distribution of drinking water to the police station                 | 1  | 1               | 0.80                                       |
| Construction works for proposed fire station   | 1  | 1               | 3.00                                       |
| Repairs and maintenance of road  | 16   | 958             | 1997.83                                    |
| <b>Total</b>   | <b>27</b>                                    | <b>972</b>      | <b>2160.58<sup>18</sup></b>                |

<sup>18</sup> Kollam: ₹ 601.96 lakh, Kottayam: ₹ 613.17 lakh, Malappuram: ₹ 589.08 lakh and Thiruvananthapuram: ₹ 356.37 lakh

This indicates the lack of a proper feedback mechanism regarding eligibility when works are suggested by MLAs. The DCs (Thiruvananthapuram, Kottayam and Malappuram) stated (August 2011) that these works were sanctioned as they were beneficial to the general public. The reply is not acceptable because instead of sanctioning such prohibited works, the DCs should have advised the MLAs about the violation of guidelines and sought alternative proposals which could also be in public interest. The Assistant Development Commissioner (General) Kollam stated (August 2011) that prohibited works would not be sanctioned in future.

### **2.3.6 Sanction of works in violation of guidelines**

**Sanctions were issued for 29 prohibited works costing ₹ 3.92 crore in violation of guidelines**

A scrutiny of Government orders issued during 2008-09 to 2010-11 under the scheme revealed that sanctions for 29 prohibited works worth ₹ 3.92 crore were issued in violation of guidelines vide **Appendix 2.10**. Information received from six DCs indicates that a sum of ₹ 1.50 crore was incurred by them on 16 works sanctioned in violation of the guidelines. The sanctions were accorded by treating them as relaxation of guidelines.

The large number of relaxations accorded indicated lack of sanctity for the guidelines with regard to eligible works.

### **2.3.7 Execution of works for Society/Trust**

The guidelines, *inter alia*, provide that the beneficiary organisation must enter into a formal agreement with the Government in advance to comply with the conditions laid down before funds are released. The beneficiary organisation is required to submit to the Government, an annual report and its audited accounts on a regular basis.

In four selected districts, 35 buildings for library, youth club, etc. were constructed at a cost of ₹ 1.36 crore by various societies/organization during 2006-11. In addition, 31 buildings for library, milk societies, cultural association, etc. were also under construction at a cost of ₹ 1.18 crore during the same period. But no prior agreements were seen entered into with these organizations/societies by the implementing agencies/DCs nor the annual accounts of these institutions forwarded to the Government as contemplated in the guidelines. There is no assurance that the guidelines laid down had been followed.

### **2.3.8 Delay in execution of works**

As already mentioned in para 2.3.3, a time limit of 45 days (reduced to 30 days from November 2009) was prescribed for issue of administrative sanctions from the date of proposal of the works received from the MLAs. In November 2009, the Government prescribed the following time limits for completion of projects taken up under MLA SDF scheme from the date of issue of administrative sanction:

- i) Six months for works with outlay up to ₹ 25 lakh
- ii) Nine months for works with outlay up to ₹ 50 lakh
- iii) Twelve months for works with outlay up to ₹ 75 lakh

However, it was seen in audit that in certain cases, no clause specifying the period of completion was incorporated in the agreements entered into with the



beneficiary committees. Delays were noticed in arranging works and in commencing work after execution of agreements in the following cases:

- Due to delays in preparation of estimates and delays in convening meetings of the beneficiary committee, there were undue delays in the various stages of work of construction of a building for Desasevani Vayanasala, Palluthottam in Nagaroor Grama Panchayat of Kilimanoor LAC of Thiruvananthapuram district. The proposal from the MLA was received by the DC on 17 November 2006. The DC issued an administrative sanction for ₹ 3.12 lakh on 22 January 2007 (after 66 days). The technical sanction was issued only on 26 March 2007 (after 62 days of the issue of the administrative sanction). The agreement with the convenor of the beneficiary committee was executed on 18 May 2007, after 53 days of issue of the technical sanction. However, the agreement did not contain any clause specifying the period of completion. Even though the administrative sanction had been issued in January 2007, the work was started only in December 2009 and completed only in November 2010. In reply to an audit enquiry, the DC Thiruvananthapuram stated (September 2011) that the delays were attributable to delayed receipt of original estimates and the estimate report from the BDO, Kilimanoor.
- The work of construction of a bathing ghat for Appanchira Thodu in Kaduthuruthy Grama Panchayat of Kottayam district (estimated cost ₹ 2.5 lakh) had not been started even though the sanction for the same were accorded in October 2009 and agreement executed in January 2010 because the convenor of the beneficiary committee was not willing to do the work for reasons not on record. This indicates non-assessment of the competence of the beneficiary committee to execute the work. The Assistant Development Commissioner (General) Kottayam stated that the MLA had directed to cancel the work.
- Administrative sanction was accorded in January 2009 for ₹ 3.50 lakh for the work of construction of a building for Kairali Grandhalayam, Chirakkadavu in Vazhoor LAC of Kottayam district. It was subsequently revised to ₹ 6.32 lakh in December 2009. The work was not completed as of June 2011. No reasons were attributed for the delay. The agreement executed with the beneficiary association in May 2010, did not contain any clause prescribing time limit for completion of the work.
- The work of construction of an Out Patient-cum-Casualty Block in the Government Hospital in Nedumangad LAC of Thiruvananthapuram District was sanctioned for ₹ 25 lakh in January 2006 and was entrusted to the convenor of the beneficiary committee in March 2006. The work was started in September 2006. After finishing a small portion (earth work excavation and columns up to plinth level) for ₹ 2.65 lakh, the work was abandoned for which no reasons were on record. The balance work was entrusted to a new convenor of the beneficiary committee in May 2010 at the revised estimate of ₹ 37 lakh, sanctioned in November 2009. The work had not been completed (June 2011). The agreement executed with the second convenor in May 2010, also

did not contain a clause prescribing a time limit for completion of the work. This indicates inadequate contract clauses and inappropriate selection of beneficiary committees for execution of works.

- The work of beautification of Pipeline Road - Harithaveedhi in Thiruvananthapuram North LAC for ₹ 30 lakh was entrusted (July 2010) to the Habitat Technology Group Thiruvananthapuram, a non-Government organisation (NGO), as the State Government approved it as an implementing agency under the scheme in December 2009. The NGO had agreed to complete the work within six months from the date of taking charge of the site. Based on Government orders, 20 *per cent* of the cost of the work (₹ six lakh) was given as advance to the NGO. An amount of ₹ 23.41 lakh was paid as part payment (March 2011). However, the work remained incomplete as of October 2011.

### **2.3.9 Non-utilisation of equipment purchased under the scheme**

Oxygen plant  
procured in 2009-10  
was not being used

In the Chest Diseases Hospital, Pulayanarkotta, equipment such as Central Oxygen Manifold System, vacuum pump, pipes, outlet points and other accessories for installation of Central Oxygen Medical Gases were procured in October 2009 and in January 2010 at a cost of ₹ 5.75 lakh using MLA funds of Thiruvananthapuram (North) LAC for the year 2007-08. The oxygen plant was intended for utilisation in ward numbers 4 to 7 of the hospital. Renovation work of these wards was taken up during 2008 using NRHM funds but it could not be completed as of June 2011 due to shortage of funds. In the meantime, the oxygen plant was erected (April 2011) in a secluded area of the hospital and was not being used as envisaged due to non-completion of the renovation work. The Superintendent, Chest Diseases Hospital, Pulayanarkotta stated (June 2011) that action was being taken to hand over the work to PWD.

### **2.3.10 Monitoring**

According to the scheme guidelines, the Finance (NC) Department is the nodal department for the implementation of schemes under MLA SDF in the State. The Chief Secretary or in his absence, a senior Principal Secretary/Additional Chief Secretary was to conduct a meeting with the heads of districts and MLAs to assess the progress of works under the scheme at least once in a year. Details of meetings conducted was sought (June 2011) for from the Finance (NC) Department, but these were not given to Audit. Non-furnishing of the required details by the department indicates that there was deficiency in monitoring as envisaged in the guidelines.

Para 5.7 of the scheme guidelines provided for the State Government to make arrangements for training district officials associated with the implementation of the scheme. Audit noticed that no arrangements were made for training during the period 2006-07 to 2010-11, the reasons for which were not on record.

As per para 5.1 of the guidelines, the DCs were to visit and inspect at least 10 *per cent* of the works every year and to furnish monitoring reports once in two months to the MLAs. In November 2009, the Government issued instructions that all DCs should furnish a quarterly report to each MLA on the progress of

works taken up on his recommendations. The DCs of the selected districts were requested to furnish the details of inspections conducted. The DC Thiruvananthapuram replied (July 2011) that monitoring as envisaged in the guidelines was not being done. Further, the DCs of Kollam, Malappuram and Thiruvananthapuram stated (July 2011) that the audit observation had been noted for future compliance.

### **2.3.11 Conclusion**

There were delays of more than six months in according administrative sanctions by the District Collectors after receipt of proposals from the MLAs concerned in 21 *per cent* of the cases. There were also delays in execution of works indicating inadequate assessment of the competency of beneficiary committees to execute the works under the scheme. Audit noticed execution of works prohibited under the guidelines. A large number of relaxations accorded for taking up works prohibited under the guidelines was indicative of lack of sanctity for the guidelines. Works were seen entrusted to societies/trusts with no formal agreements with them. Monitoring at the district level was not done as envisaged in the guidelines.

### **2.3.12 Recommendations**

- Timely issue of administrative sanctions by the DCs for execution of works may be ensured.
- DCs may assess the competency of beneficiary committees before awarding the works to avoid delay in execution of works.
- DCs may avoid sanctioning of works which are not envisaged in the guidelines.

The above observations were referred to the Government in July 2011. Their reply had not been received (October 2011).

## CONSUMER AFFAIRS DEPARTMENT

### 2.4 Compliance of Standards of Weights and Measures Acts and Rules by the Legal Metrology Department

#### 2.4.1 Introduction

The Standards of Weights and Measures Act, 1976 provides for the establishment of standards of weights and measures and the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 regulate the sale of commodities in a packaged form. The Standards of Weights and Measures (Enforcement) Act, 1985 provides for the enforcement of the provisions of the Act in the country. These Acts and the Rules stipulate consumer protection in respect of weights and measures used in trade and commerce. The Legal Metrology Department in the State is the authority to implement the above enactments so as to protect the consumers from exploitation and unfair trade practices.

The main activities of the department are initial and periodical verification of weights and measures and weighing and measuring instruments<sup>19</sup>; issue of licences; maintenance of working and secondary standards; inspection and surprise visits of trade premises; control on packaged commodities, etc. These are carried out through a Controller who heads the department; three Deputy Controllers in three Regions<sup>20</sup>; 14 Assistant Controllers (district level); 11 Assistant Controllers {Flying Squad (FS)}; one Assistant Controller (Central Laboratory) and one Assistant Controller (Net Content Verification).

Test check of the records of the Controller, three Deputy Controllers<sup>21</sup>, four Assistant Controllers<sup>22</sup> (district level) out of 14, four Assistant Controllers<sup>23</sup> (FS) out of 11, Assistant Controller (Net Content Verification) and Assistant Controller (Central Laboratory) for the period 2006-07 to 2010-11 revealed the following:

#### 2.4.2 Delay in upgradation of enforcement mechanism

Government of India released ₹ 33 lakh (₹ 30 lakh in September 2006 and ₹ three lakh in May 2007) under the scheme 'Strengthening of Legal Metrology Wing of the States' for purchase of Class-I working standard balances. The Government issued the administrative sanction in February 2007 and the department invited tenders for the purchase of Electronic balances of various capacities (200 gm, two kg, 20 kg and 50 kg) for the upgradation of enforcement mechanism. However, the expert committee recommended purchase of 19 Electronic balances of capacity 200 gm from the lowest tenderer and rejected the purchase of 50 kg, 20 kg and two kg balances due to their poor quality. This necessitated re-tendering for these items which

**Major share of the Central assistance of ₹ 33 lakh released in September 2006 and May 2007 remained unutilised for more than four years**

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<sup>19</sup> Measuring instruments include automatic weighing instruments, volumetric weighing instruments, linear measuring instruments, flow meter, water meter, clinical thermometer, etc.

<sup>20</sup> South region, Centre region and North region

<sup>21</sup> At Ernakulam, Kozhikode and Thiruvananthapuram

<sup>22</sup> Assistant Controllers at Kannur, Kozhikode, Thrissur and Thiruvananthapuram;

<sup>23</sup> Assistant Controllers (Flying Squad), Kannur, Kozhikode, Thrissur and Thiruvananthapuram

delayed the procurement of the balances. Hence, the procurement of balances was made only during 2008-11 (₹ 32.79 lakh). The delayed procurement resulted in delay in upgradation of the enforcement mechanism for more than four years.

### 2.4.3 Inadequate verification of auto-rickshaw fare meters

**Meters of only 4.84 to 29.8 per cent of auto-rickshaws for which fitness certificates had been issued during 2007-10 were verified and stamped**

At present there is no provision in the Acts or Rules relating to weights and measures to insist fare meter in passenger auto-rickshaws and taxi cabs. The enforcement of the provisions of the weights and measures Acts and Rules arises only after fixing of fare meters in the vehicles. According to item 12 of Schedule XII of the Kerala Standards of Weights and Measures (Enforcement) Rules 1992, as amended during March 2006, a fee of ₹ 100 per meter was leviable for re-verification of auto-rickshaw/taxi meters. Test check of records<sup>24</sup> for the period 2007 to 2010 revealed that the number of auto-rickshaw meters subjected to verification and stamping by the Legal Metrology Department ranged from 4.84 to 29.8 per cent (**Appendix 2.11**) of the total number of 6,56,127 auto-rickshaws for which fitness certificates had been issued by the Motor Vehicles Department during 2007-10. The department was stamping only the auto-rickshaws brought voluntarily for verification. The Controller admitted (June 2011) that there was no provision in the Acts or Rules relating to weights and measures to insist upon fare meter in an auto-rickshaw or a taxi and stated that amendment of the Motor Vehicles Act alone would solve the problem. Thus, the objective of protecting the interest of the consumers was not fully achieved. Moreover, the Government continued to incur revenue loss due to non-collection of fees towards verification/re-verification.

### 2.4.4 Inspections

Inspection of weights and measures to verify whether such instruments are in conformity with the standards prescribed under the Standards of Weights and Measures Act, 1985 is one of the important functions of the department in protecting the interests of the consumers. According to Rule 15(7)<sup>25</sup>, an inspector should visit as frequently as possible during the period specified in Rule 14(1)<sup>25</sup>, every premise within the limits of his jurisdiction to inspect and test any weight or measure. Audit scrutiny revealed the following deficiencies:

#### 2.4.4.1 General deficiencies

The department fixed financial targets for the district offices every year. The percentage of inspections conducted in the State ranged from 17.26 to 27.33 per cent of total weights and measures re-verified during 2006-07 to 2010-11 (**Appendix 2.12**). The inspectors detected violations of Weights and Measures Rules and Packaged Commodities Rules ranging from 11.69 to 30.83 per cent in the inspections conducted (**Appendix 2.13**).

<sup>24</sup> Kozhikode, Thrissur, Thiruvananthapuram

<sup>25</sup> Kerala Standards of Weights and Measures (Enforcement) Rules, 1992

**Inspection by Assistant Controllers (FS) was only 0.63 to 2.35 per cent of the total units re-verified during 2006-11**

The main function of the Assistant Controller (FS) is to conduct surprise inspections of business premises in the district to detect malpractices, if any, in connection with weights and measures instruments and packaged commodities rules. Audit observed that the Assistant Controller (FS) inspected only 0.63 to 2.35 per cent of the total number of units re-verified<sup>26</sup> in the selected districts during 2006-07 to 2010-11 (**Appendix 2.14**). The Assistant Controller (FS), Kozhikode attributed (June 2011) the shortfall in inspections to the departmental vehicles being in dilapidated condition and lack of clerical staff. The Assistant Controller (FS), Kannur stated (June 2011) that out of the two vehicles in the office, one was ordered to be condemned and the other vehicle was required for several other official purposes. Hence, the vehicle was not available for conducting surprise inspections by the Flying Squad, Kannur.

As there were no separate Assistant Controllers (FS) in the districts of Kasaragode and Wayanad, the charge of these districts was assigned to the Assistant Controllers (FS) Kannur and Kozhikode respectively. This indicated that the department failed to protect the interests of the consumers as envisaged in the Act by not having an adequate enforcement mechanism in place.

#### **2.4.4.2 Deficiencies in inspection of petrol pumps and Net Content Verification in packages**

The Controller directed (February 2000) the Assistant Controllers (FS) to conduct inspection of at least 20 petrol pumps in a month. The Controller also issued (July 2007) directions for conducting verifications of the net content in packing establishments and factories as described below:

- The Assistant Controller (Net Content Verification), Ernakulam was to conduct net content verifications of at least five units in a month in each of the three zones of the State.
- The Assistant Controllers (FS) were to conduct net content verifications of at least five establishments in a month under their jurisdiction.

The following deficiencies were noticed in the compliance of the above instructions.

- The Assistant Controller (Net Content Verification), Ernakulam was to conduct 180<sup>27</sup> inspections in the State annually. However, audit scrutiny revealed shortfalls ranging from 52.78 to 72.78 per cent during the period 2008-09 to 2010-11 (**Appendix 2.15**). The Assistant Controller (Net Content Verification) stated (June 2011) that additional duty as liaison officer at the Advocate General Office/High Court of Kerala resulted in the shortfall in inspections.

**There were shortfalls ranging from 52.78 to 72.78 per cent during 2008-11 in the inspections by the Assistant Controller (Net content verification) Ernakulam**

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<sup>26</sup> Re-verification and stamping is done at the prescribed intervals subsequently. Original verification and stamping is done at the time of purchase of weights and measures

<sup>27</sup> 5 units x 3 zones x 12 months

**Inspections by the Assistant Controller revealed violations of Packaged Commodities Rules ranging between 60 and 88.5 per cent**

- The records of three Assistant Controllers<sup>28</sup> (FS) revealed shortfalls in the number of inspections of establishments in their respective jurisdictions. Audit noticed that no inspection was conducted in Kozhikode and Kannur during 2008-09 to 2010-11 as against the required number of 60 inspections in a year. In Thrissur, five inspections were conducted in 2008-09, but no inspection was conducted in 2009-10 and 2010-11. The Assistant Controller (FS), Kozhikode replied (June 2011) that the office was not equipped to conduct such verification due to provision of only skeleton staff, absence of laboratory and the allotted vehicle being old. The Assistant Controller (FS), Kannur replied (June 2011) that they had not been supplied with working standards.

The Assistant Controller (FS), Thrissur replied (June 2011) that high precision working standard balances had not been provided to them by the department. It was observed that there was a high percentage (ranging from 60 to 88.5 *per cent*) of violations of Packaged Commodities Rules detected in the inspections by the Assistant Controller (Net Content Verification). This pointed towards the need for inspecting more establishments to protect the consumers from exploitation.

**The inspections of petrol pumps by the Assistant Controllers (FS) were less than half of the prescribed number of 240 inspections in a year**

- The inspections conducted by the Assistant Controllers<sup>29</sup> (FS) in the petrol pumps during 2006-07 to 2010-11 were less than half of the prescribed number of 240 inspections in a year in all cases except in Kannur for 2006-07. In Kozhikode, no inspection was conducted during 2006-07 to 2008-09, whereas in 2009-10 and 2010-11 the percentage of verification was 12 and 26 respectively. During 2006-07 to 2010-11 the percentage of inspections in Thrissur and Kannur ranged between 12.91 and 40.41; 8.75 and 58.75 respectively (**Appendix 2.16**). The Assistant Controller (FS), Kozhikode gave (June 2011) the poor condition of vehicles as the reason for not achieving the prescribed number of inspections. The Assistant Controller (FS), Thrissur replied (June 2011) that the existing manpower was used to concentrate in those areas where collection of compounding fees was high so as to increase the revenue to the State exchequer.

The Assistant Controller (FS), Kannur replied (June 2011) that it was not practical to conduct 20 inspections in a month due to large scale expansion of petrol pumps after the year 2000. The number of nozzles in each pump had increased considerably increasing the working load. Hence the limit of 20 inspections in a month fixed during 2000 was impossible to achieve.

#### **2.4.5 Gold testing laboratory**

The gold purity testing laboratory set up (2004) at Central Laboratory, Ernakulam with the assistance of the Centre for Earth Sciences Studies (CESS) Thiruvananthapuram was taken over by the Legal Metrology

<sup>28</sup> Kannur, Kozhikode, Thrissur

<sup>29</sup> Kannur, Kozhikode, Thrissur

Department in August 2006. The cost of capital equipment procured at the time of setting up the laboratory was ₹ 18.10 lakh. There were two types of methods - destructive (fire assay) and non-destructive (X-ray Fluorescent spectrometer) - adopted for testing purity of gold. The X-Ray Fluorescent Machine installed in August 2003 at a cost of ₹ 11.34 lakh was not working since January 2008 as the high voltage transformer of the equipment became defective. Hence, with the defective machinery, the laboratory could not check the purity of gold using non-destructive method, which had immense demand among the public. The department thus, failed to discharge its obligation with regard to ensuring the purity of gold.

GOI sanctioned (July 2010) financial assistance of ₹ 25.44 lakh from the Consumer Welfare Fund for upgrading the Gold Purity Testing Laboratory into a Referral Assay Laboratory for Gold. For upgradation and getting recognition by the Bureau of Indian Standards (BIS) for testing and marking the purity of gold, the Assistant Controller, Central Laboratory, Ernakulam requested (December 2010) the Controller to sanction posts of technical personnel such as Assaying Centre Manager, Quality Manager, Assay Master, Operator for XRF machine, Sampler, Receptionist and Security which had not been provided till June 2011. Hence, the department could not apply for recognition. The department thus failed to protect the interests of the consumers with regard to the purity of gold.

#### 2.4.6 Pending cases in prosecution

**No system existed to watch the prompt receipt of copies of judgements from the field offices**

In the wake of setbacks faced by the department in a number of cases, in various courts, citing delay in filing cases, the Controller issued (April 2005) a circular authorising the inspecting offices to file cases directly in the courts. The circular directed the field offices to forward copies of judgement of all cases to the office of the Controller for watching the follow-up action. It also contained the procedures to be followed by the Deputy Controllers and Assistant Controllers to monitor the cases handled by the officers under their control on a quarterly basis.

Even though the Controller directed (April 2005) all the field offices to forward copies of all judgments, this was not done by the field offices. There was also no system to watch the prompt receipt of the same by the Controller. The Controller also did not maintain a centralised database of the court cases filed by various officers of the department. In the following cases, judgments were against the department due to departmental lapses:

**Table 2.32: Judgements against the department for departmental lapses**

| Sl No. | Case No.                       | Date of judgment | Reason for judgment against the department                          |
|--------|--------------------------------|------------------|---|
| 1      | CC1063/03<br>JFCM II, Aluva    | 20 July 2010     | Lack of clinching evidence and inordinate delay in filing the case. |
| 2      | ST-474/08<br>JFCM II, Harippad | 30 December 2010 | Material evidence not produced in the court.                        |
| 3      | CC-631/02 JFCM II, Thrissur    | 31 May 2005      | Shabby evidence tendered by the departmental officers               |
| 4      | 5671/03<br>JFCM Chittur        | 31 March 2006    | Not observing the rules and procedures at the time of inspection.   |

Source: Records of the department



It is evident that there was lapse on the part of the departmental officers in filing the cases in time after observing the procedures prescribed in the relevant Acts and Rules. This enabled the offenders in winning the cases.

#### 2.4.7 Internal control mechanism

The deficiencies noticed in the enforcement of internal control mechanism are discussed below:

##### 2.4.7.1 Internal audit

There was no separate internal audit wing in the department

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. There is no separate wing for internal audit in the department. Internal audit was conducted by deputing the available staff in Head Office. Test check showed that out of 130 offices which are to be audited every year, shortfalls in internal audit ranged from 61 to 74 offices from 2007-08 onwards (June 2011).

##### 2.4.7.2 Annual Administrative Report

As per Government instructions (February 1984), an Annual Administrative Report showing the annual activities of the department is to be prepared and submitted to the Government every year. The format of the report was revised in December 2008. It was, however, noticed that the department had not prepared any Administrative Report since 2008-09. In the absence of such reports, information about the activities/performance of the department during the year could not be made available to other departments/public.

##### 2.4.7.3 Disciplinary cases pending settlement

It was observed that 32 disciplinary cases in connection with irregularities in stamping, issue of licences, compounding offences, etc. from 2002 onwards were pending against 30 departmental officers. Details are given in **Appendix 2.17**. Inordinate delay in finalising the proceedings diluted the deterrent effect of disciplinary action.

#### 2.4.8 Conclusion

There were delays in utilisation of Central funds, inadequate verification of auto-rickshaw fare meters, deficiencies in inspection of petrol pumps and 'net content' in packages. The percentage of inspections conducted on the re-verified weights and measures was low during the period covered under audit. Inspections conducted revealed a large number of violations of the provisions of the Acts and Rules relating to weights and measures. This implied that the inspections conducted were inadequate to check the violations and the compliance of the Acts and Rules. There was lack of proper follow-up action in prosecution cases.

#### 2.4.9 Recommendations

- The Government may evolve a mechanism for making it mandatory that all auto-rickshaw permits are issued/renewed annually on production of certificates of stamping from the Legal Metrology Department.

- Government should fix targets for inspection on a scientific basis to ensure prompt compliance of the Acts/Rules so as to protect the interest of consumers.

The matter was referred to the Government in July 2011. Their reply had not been received (October 2011).