

OVERVIEW

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

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

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

| 1. Financial Position of the State Government | |
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| <p>Both revenue and fiscal deficits continued to remain high. The non-plan expenditure on revenue account alone exceeded the revenue receipts by 4 per cent in the current year and interest payments consumed 27 per cent of the revenue receipts. Plan expenditure was only 21 per cent of total expenditure while the share of capital expenditure was just 4 per cent. Fiscal liabilities had been steadily rising and so were its ratio to Gross State Domestic Product endangering the debt sustainability.</p> <p>Return on the Government's investment in Statutory Corporations, Government Companies, other Joint Stock Companies, Co-operative Banks and Societies, etc., was negligible.</p> <p>Against the total budget provision of Rs 27884.63 crore, the expenditure was Rs 30419.70 crore. The excess was mainly due to large repayment of Ways and Means Advances and Overdraft (Rs 5824.06 crore) received from the Reserve Bank of India and adjustment of Block loans through debt swap scheme by the Government of India at the fag end of the year (Rs 561.20 crore) requiring regularization under Article 205 of the Constitution of India.</p> | |
| 2. Implementation of Acts and Rules relating to Consumer Protection | |
| Audit findings | Recommendations |
| <p>The implementation of Consumer Protection Act in the State was not effective. There was no co-ordination between the Department implementing the Act and the Departments enforcing the other specific Acts relating to protection of consumer interest. General awareness about the Act among consumers was</p> | <p><i>In order to have a better co-ordination, the activities and functions for welfare and protection of consumers entrusted to different agencies may be brought under an exclusive Consumer Affairs Department by the</i></p> |

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| <p>lacking; Consumer Information Centres were not set up in all the Districts. Consumer Welfare Fund for extending financial support to needy consumers and Consumer Protection Councils in the Districts to protect the interests of consumers were not set up. Only 55 per cent of the fund sanctioned during 1995-99 to improve the infrastructure of Consumer Dispute Redressal Agencies could be utilised even after 7 years. Consumer Dispute Redressal Commission/Forums in the State suffered owing to vacancies of President/ Members, inadequate staff and non-observance of working hours on par with that of State Government offices.</p> | <p><i>Government. Vacancies of Presidents/Members of Consumer Courts may be filled up to ensure proper functioning. Infrastructure facilities like buildings, communication equipment, etc., may be provided to all the consumer courts. Measures to generate and promote consumer awareness may be taken up by setting up Consumer Protection Councils, District Consumer Information Centres, etc.</i></p> |
| <p>3. Attappady Wasteland Comprehensive Environmental Conservation Project</p> | |
| <p>Audit findings</p> | <p>Recommendations</p> |
| <p>Attappady Wasteland Comprehensive Environmental Conservation Project was started in 1996 with a view to arrest the process of degradation of the environment and to improve the livelihood of the affected tribal community. The original Project cost of Rs 91.05 crore worked out in 1993 was enhanced by 141 per cent at the time of signing the agreement in 1996 with Japan Bank for International Co-operation for financing the Project without correct assessment of the magnitude and capacity of the Project to absorb the enhanced cost. Only 30 per cent of the Project cost could be spent by March 2005. Large savings prompted restructuring the Project by venturing into areas that were the domains of other Departments and Local Bodies. The project area for restoration had been incorrectly assessed. A mid term survey revealed that only 245 sq.km area was available for restoration as against 507 sq. km originally envisaged. Even out of this reduced area only 30 per cent could be covered. Widespread human intervention as well as activities detrimental to environment were noticed in the project area.</p> | <p><i>Optimum utilisation of borrowed funds and better fiscal management should be ensured by giving priority to environmental restoration components within a specific time frame. Activities detrimental to environment in the area may be prevented in consultation with the Controlling Departments. The need for involving Attappady Hills Area Development Society in the activities assigned to other designated State agencies needs to be reviewed.</i></p> |

| 4. Recruitment Application Processing System in Kerala Public Service Commission (REACT) | |
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| Audit findings | Recommendations |
| <p>Kerala Public Service Commission lacked a clear IT strategy for implementation of Information Technology in its operations and this resulted in spending huge amount of public money without getting the full intended benefits. Software relating to Phase III of computerization costing Rs 21.60 lakh is still under development since January 2004 resulting in idling of hardware costing Rs 47.57 lakh. Investment of Rs 66.94 lakh on IT assets in Phase II was rendered redundant due to continuing manual data entry. There was underutilisation of Optical Mark Reader machines. The present system of valuation of answer sheets was vulnerable to risk of loss of data and data integrity.</p> | <p><i>Proper IT strategy may be framed covering organisational aspects and use of IT assets in order to have better monitoring of the IT processes and proper utilisation of automated solution like REACT. Incomplete maintenance of logbook of scanning of answer sheets is a risk area requiring immediate rectification. IT security policy including physical and logical access control may be devised, documented and implemented.</i></p> |
| 5. Diagnostic services in Government Medical Colleges | |
| Audit findings | Recommendations |
| <p>Diagnosis of disease is scientifically done through clinical and radiological investigation using diagnostic tools. It helps doctors in making early and accurate diagnosis of the diseases and charting out the treatment plan. The diagnostic facilities of the Government Medical Colleges were found to be deficient mainly due to lack of modern equipment, defects in the available equipment, shortage of manpower, absence of quality control measures, etc. Several special investigations essential for proper diagnosis of the diseases were not being conducted in the Medical College Hospitals. There was no uniform procedure for identifying the poor patients eligible for free service. There was no Manual of Procedure for regulating the functions of the clinical and radiological lab services. None of the laboratories in the Medical Colleges had made any attempt to get accreditation from the National Accreditation Board to ensure the quality of services being provided.</p> | <p><i>The Medical Colleges may be equipped with modern equipment to enable proper diagnosis. An effective system may be evolved to recover user charges from those who could afford to pay. Manual of Procedure for regulating clinical labs/radiology services may be prepared and adequate quality control measures put in place in association with accredited labs.</i></p> |

| 6. Internal Control System in Government Departments - Tourism Department | |
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| Audit findings | Recommendations |
| <p>A built-in Internal Control system and proper adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities and help to protect resources against loss due to waste, abuse, mismanagement, etc. Internal control system in Tourism Department was very weak and the in-built controls were inadequate when compared to the range of activities of the Department. There were persistent savings ranging from 16 to 24 per cent which is indicative of lack of budgetary control. There was no effective monitoring of expenditure, leading to surrender of savings on the last working day of the financial year. Advances totalling Rs 5.47 crore were pending adjustment for period upto seventeen years. There was no mechanism to monitor the utilisation of central assistance or the funds released by the department to the implementing agencies, etc., and to watch the progress of tourism promotion projects. No proper controls were exercised by the Department in the functioning of Guest Houses. Internal audit was confined to inspection of stores and accounts for the purpose of issuing non-liability certificates in retirement cases.</p> | <p><i>Compliance with rules relating to preparation of Budget estimates and Budgetary control may be ensured. Prescribed procedures for accountal of cash including handling of cash should be strictly adhered to. The controls prescribed for incurring of expenditure including maintenance of proper registers, consolidation of monthly expenditure, watch over timely receipt of monthly expenditure returns, etc., should be strictly enforced.</i></p> <p><i>Inspection of accounts of the Guest Houses requires strengthening. An independent and full-fledged Internal Audit Wing may be set up with the mandate to audit all institutions regularly and to provide reasonable assurance regarding the adequacy and effectiveness of internal controls.</i></p> |
| 7. Audit of Transactions | |
| <p>Besides the above, audit of financial transactions, subjected to test check in various Departments of Government and their field functionaries revealed instances of loss, wasteful expenditure and other irregularities involving Rs 207.99 crore as mentioned below:</p> <p>Violation of contractual obligations amounting to Rs 93.27 crore in Public Works and Rs 97 lakh in Water Resources Departments were noticed, in addition to overpayment of Rs 45 lakh in the Finance Department and infructuous expenditure of Rs 86 lakh in Agriculture Department.</p> | |

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

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

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

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