CHAPTER IV
AUDIT OF TRANSACTIONS

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

4.1 Fraudulent drawal/misappropriation/embezzlement/losses

HOME DEPARTMENT/ SOCIAL WELFARE DEPARTMENT/ HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.1 Defalcation of Government money

Failure of Drawing and Disbursing Officers to exercise checks prescribed in financial rules led to defalcation of Rs 56.28 lakh.

Kerala Treasury Code (KTC) prescribes the various provisions to be followed by the Drawing and Disbursing Officers (DDOs) for preparation, presentation of the bills in the Treasury and disbursement of money. The Rules provide that the component items of an establishment bill should be checked by the DDOs and the totals shown in the bill should be checked by him or he should get it checked by a Gazetted Government Officer before it is signed. It is further stipulated that the Treasury Officer/Sub Treasury Officer shall not honour the bills presented for encashment if he notices erasures or unattested corrections in a Bill Book and it is the duty of the Drawing Officer to ensure that there are no erasures or unattested corrections in the Bill Book.

It was noticed in Audit that there was misappropriation of Rs 56.28 lakh in three offices due to failure of the DDOs to exercise the codal provisions as detailed below:

HOME DEPARTMENT

Audit conducted in March-April 2006 in the Office of the Superintendent of Police (SP), Crime Branch CID (CBCID), Palakkad revealed fraudulent withdrawals of GPF amounting to Rs 39.65 lakh in 13 bills between July 2005 and March 2006 as detailed below:

- **In seven bills, Rs 21 lakh were drawn in excess of the amount required for disbursement. The method adopted was to include some fake withdrawals alongwith genuine sanctions to inflate the total in the treasury copy of the bills. The amounts relating to genuine sanctions were entered in the Cash Book and disbursement made. After encashment of the bills, figures in the Treasury Bill Book were corrected as those of the office copy of the bills by overwriting and erasing.**
- **In six bills, Rs 18.65 lakh were drawn in excess towards GPF advance between July 2005 and March 2006. But there was no entry in the Treasury Bill Book to indicate that these bills were**

routed through the Treasury Bill Book. The amounts drawn were not accounted in the Cash Book and not disbursed. The District Treasury Officer (DTO), Palakkad stated (April 2006) that no GPF bills were encashed without routing through the Treasury Bill Book and that some of the pages in the Treasury Bill Book in use during the period were found to be removed from the Bill Book. However, the DTO, Palakkad failed to note the erasures and corrections in the Bill Book and the missing pages till the fraud was detected in audit.

- **Out of 51 fraudulent withdrawals detected, 13 withdrawals were for Rs 1,00,000 each, which exceeded the financial powers of the SP (DDO), and in respect of these cases, even the sanctions on behalf of the Additional Director General of Police were found to be prepared fraudulently and attached with the bills.**

It was further noticed in Audit that the SP, CBCID did not exercise the following basic internal checks envisaged in the Kerala Treasury Code, which facilitated defalcation of such huge amounts within a short span of eight months.

* **A mere comparison of the amount in the Treasury copy of the bills with the Office copy of the bills could have detected the discrepancy and the continued presentation of the forged bills indicates that such a check was not exercised in the Office.**
* **Bills presented to the DDO for endorsement before sending to treasury with the fake sanctions of Additional Director General of Police could have been detected by the DDO if the checks prescribed while attesting the Bill Book entries, Cash Book, Acquittance, etc., were exercised.**
* **Amounts received from the Treasury as per treasury copy of the bills were not checked by the DDO with office copy of the bills, Cash Book and Acquittance Rolls.**
* **It is the duty of the Drawing Officer to ensure that there are no unattested corrections or erasures in the Bill Book. There was gross negligence by the DDO in maintaining and checking of Bill Book.**

SP, CBCID stated (July 2006) that a police case had been registered and that the investigations were in progress.

SOCIAL WELFARE DEPARTMENT

A special Audit conducted in the office of the Child Development Project Officer, Vadavucode in Ernakulam District for the period August 2003 to November 2005, at the request of the Sub Treasury Officer, Kolenchery revealed (December 2005) defalcation amounting to Rs 8.89 lakh. The details of defalcation are indicated below:

- **In the 19 honorarium bills of Anganvadi workers and helpers for the period from July 2004 to September 2005, Rs 8 lakh were drawn in excess of the actual amount required for disbursement by fraudulently inflating the total column of the Bills presented at the Treasury. The figures in the Treasury Bill Book were corrected as those of the office copies of the bills after encashment of the bills and**

the excess amount misappropriated.

- **In 26 bills, Rs 0.70 lakh was drawn in excess from the Treasury during August 2003 and October 2004 by fraudulently inflating the total column of the Treasury and office copy of bills. The amounts drawn in excess were shown as disbursed in the cash book. The grand totals of the acquittance rolls were shown as inflated and balance amount defalcated.**
- **Surrender leave salary of nine persons for Rs 0.19 lakh was drawn from the Treasury on 24 April 2004. The same amount was again drawn on 27 May 2004 quoting the same bill number by disfiguring the amount column in the Treasury Bill Book by drawing a single line across the original entry. This led to double drawal and Rs 0.19 lakh was defalcated.**

It was noticed in Audit that the three Project Officers who were DDOs during the period (August 2003 to September 2005) failed to exercise the basic internal control checks prescribed in the KTC. Essential checks like comparison of the entries in the bills presented at the Treasuries with the office copies, checking of amounts received from the treasuries with the office copies of the bills, totalling each column of the bills and acquittance rolls, etc., were not conducted and there was failure to ensure that there were no erasures or unattested corrections in the Bill Book thereby facilitating defalcation to the tune of Rs 8.89 lakh.

HEALTH AND FAMILY WELFARE DEPARTMENT

Test check by Audit of the Accounts of the Primary Health Centre (PHC), Nediyiruppu in Malappuram District revealed (March 2006) that the Medical Officers of the PHC, who were the DDOs did not comply with the codal provisions thereby facilitating defalcation of Rs 2.63 lakh between 2004 and 2006 by the Upper Division Clerk (UDC) of the PHC.

The defalcation was committed by (i) claiming false salary arrears (6 bills), GPF advance (4 bills), Surrender Leave Salary/establishment (3 bills), medical reimbursement (1 bill) of the employees (Rs 1.76 lakh), (ii) drawing excess amount of salary from the Treasury fraudulently and disbursing actual salary to the staff, but making alteration in the acquittance roll after disbursement and misappropriating excess amount (Rs 0.50 lakh) and (iii) claiming salary/arrears in the name of officers already transferred (Rs 0.28 lakh) and officers already terminated (Rs 0.09 lakh). The UDC admitted the excess/unauthorised withdrawals and stated (March 2006) that he would refund the amount.

At the instance of Audit, a Special Team of the District Medical Officer (DMO), Malappuram conducted (March 2006) a detailed investigation of the PHC, Nediyiruppu and also PHC, Morayoor where the UDC worked previously and found that the actual amount defalcated by him on various occasions was Rs 7.74 lakh (PHC, Nediyiruppu : Rs 3.44 lakh, PHC, Morayoor : Rs 4.30 lakh). The UDC was held responsible and was placed under suspension (27 March 2006). The entire amount of Rs 7.74 lakh was remitted by the UDC between March-May 2006.

It was noticed in Audit that the DDOs did not exercise the checks prescribed in the KTC like checking of bills, arithmetical accuracy and acquittance rolls, which facilitated presentation of large number of bogus claims. Amounts received from treasury were not checked with the Cash Book, office copy of the bills and acquittance rolls.

The above points were referred to Government in June 2006; replies have not been received (August 2006).

4.2 Infructuous/wasteful expenditure and overpayment

TOURISM DEPARTMENT

4.2.1 Idle investment on a tourism project

Acquisition of land falling under Coastal Regulation Zone resulted in idle investment of Rs 28.44 lakh and non-achievement of the project.

Government sanctioned (June 1999) acquisition of land measuring 5.58 acres (2.2582 hectares) in Dharmadam island in Kannur district for development as a tourist centre to make the island a good tourist attraction in an eco-friendly manner. Special Tahsildar, Land Acquisition (LAO), Thalassery passed award for Rs 23.66 lakh as compensation in March 2001 for acquiring the land. Expenditure of Rs 4.78 lakh on survey (Rs 0.01lakh) establishment (Rs 4.73 lakh) and other charges (Rs 0.04 lakh) led to total cost of acquisition as Rs 28.44 lakh.

Tourism Department allotted (August 2000 and March 2001) Rs 26.7 lakh towards acquisition of land. Of this, Rs 23.66 lakh awarded as compensation was deposited in Sub Court, Thalassery (August 2001) as the land owners did not produce valid document to prove the absolute right over the acquired land. District Tourism Promotion Council (DTPC) took possession of the land in March 2001.

It was noticed (October 2005) in Audit that the Department made no efforts to establish a tourist centre even five years after acquisition of the land. District Collector and Chairman, DTPC intimated (October 2005) Audit that the acquired land fell under the Coastal Regulation Zone (CRZ) and, therefore, no permanent construction was possible in that area. Tourism Department could have foreseen the CRZ restrictions before acquisition of land in view of the fact that the Government of India had issued the CRZ notification as early as in 1991. Tourism Department directed DTPC to conduct a study by a competent technical expert. Further developments were awaited (May 2006).

The land acquired at a cost of Rs 28.44 lakh remained idle for the last five years and the possibility of development of the land into a tourist centre appears to be remote in view of the CRZ restrictions. Thus, the expenditure of Rs 28.44 lakh incurred for the acquisition of land intended for a tourist centre resulted in an idle investment due to lack of foresight and poor planning.

The matter was referred to Government in July 2006; reply had not been received (August 2006).

4.3 Avoidable/Extra/Unfruitful Expenditure

AGRICULTURE DEPARTMENT

4.3.1 Excess payment of financial assistance to farmers for crop loss

Due to misinterpretation of the Government Orders, 38 Assistant Directors of Agriculture in four districts paid excess assistance of Rs 92.01 lakh to farmers for crop loss.

Agriculture Department of the State Government decided (April 2004) to give financial assistance to the farmers and double the existing rates for the crop loss during the severe drought (March-May 2004) and issued orders in April 2004. But there was no specific mention in the order that the enhanced rates were applicable for the loss of crop due to drought only. Consequently, some of the Assistant Directors (ADs) disbursed financial assistance at the enhanced rates for the loss of crop in the rain and flood due to South-West Monsoon (June–August) in 2004. When doubts were raised by some Principal Agricultural Officers (PAOs), Government clarified (November 2004) that the enhanced rates were applicable only for the crop loss due to drought.

Test check of the records revealed that 38 ADs in four[#] districts disbursed financial assistance at the enhanced rates for the crop loss due to rain and flood in the south west monsoon resulting in payment of Rs 92.01 lakh[*] between October 2004 and December 2004 in excess of admissible amount. The excess payment in these cases was apparently due to misinterpretation of the Government orders of April 2004.

The matter was referred to Government in April 2006; reply had not been received (August 2006).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.2 Exorbitant penalty due to delay in payment of water charges

Medical College Hospital, Thiruvananthapuram defaulted on payment of water charges and had to pay a penalty of Rs 10.93 crore to the Kerala Water Authority.

Water charges of Medical College Hospital, Thiruvananthapuram (MCH) were not paid regularly to the Kerala Water Authority (KWA). The water charges payable at the beginning of August 2000 was Rs 1.81 crore. As the water meter was not in working condition the KWA has been demanding water charges of Rs 11.13 lakh per month since August 2000 based on the monthly average rates. During the period from August 2000 to January 2006 the total water charges demanded by the KWA was Rs 7.35 crore. In addition, the KWA demanded Rs 10.93 crore towards surcharge on delayed payments, calculated at the rate of two *per cent* per month on the outstanding arrears. Against the total demand of Rs 20.09 crore (including previous period arrears

[#] Kollam, Idukki, Ernakulam and Malappuram

[*] PAO, Kollam–Rs 19.97 lakh; PAO, Idukki–Rs 12.01 lakh; PAO, Ernakulam–Rs 12.49 lakh; PAO, Malappuram–Rs 47.54 lakh

of Rs 1.81 crore) the Principal, MCH paid Rs 9.29 crore[♥] leaving an outstanding balance of Rs 10.80 crore at the end of January 2006. Audit scrutiny (March 2006) of the records of MCH revealed that :

- Though the water meter was not working since August 2000, there were no records of action taken by the Principal to replace the meter so that the charges could be assessed on the basis of actual consumption.
- There was no system of making regular payments of water charges though it was known that penalty was payable on the outstanding arrears for each month.
- Allotments of Rs 2.50 crore in 2003-04 and Rs 3.50 crore in 2004-05 for payment of water charges lapsed for want of clearance from the Finance Department even though huge amounts were payable to the KWA at that time. Had these funds been used for payment of arrears, there would have been substantial reduction in the amount of surcharge.
- KWA was levying surcharge at the exorbitant rate of two *per cent* per month. The surcharge was levied monthly not only on the outstanding water charges but on the outstanding surcharge also. As a result while the water charges demanded was Rs 11.13 lakh per month during the entire period from August 2000 to January 2006, the monthly demand of surcharge exceeded the water charges from May 2002 onwards and ranged between Rs 11.21 lakh and Rs 31.89 lakh.
- In response to earlier audit observations on similar payments of surcharge included as Paragraph 3.6 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 (Civil) State PAC had recommended (December 2000) that sufficient funds should be provided to hospitals for making payments of energy and water charges. The payment of huge surcharge was necessitated due to the Government's failure to comply with the PAC recommendations.

In order to avoid further financial burden on account of the mounting surcharge, the Government need to take urgent action to settle the outstanding dues of the KWA either by providing additional funds or by adjusting the dues against amounts payable to the Government by the KWA. Government also need to introduce a system of monthly payment of water charges in MCH so that surcharge could be entirely avoided.

The matter was referred to Government in May 2006; reply had not been received (August 2006).

PUBLIC WORKS DEPARTMENT

4.3.3 Extra liability due to departmental lapse

Departmental lapse in making arrangements for handing over sites to contractors within the prescribed time resulted in extra liability of Rs 99.21 lakh.

The Public Works Department Manual prohibits inviting tenders before

[♥] April 2003 : Rs 25 lakh; May 2004 : Rs 0.75 lakh; March 2005 : Rs 5.50 crore; October 2005 : Rs 2 crore; December 2005 : Rs 1.5 crore; January 2006 : Rs 3 lakh making sure that land required for the work would be ready for handing over to the contractor. Disregarding the Manual provisions, Buildings Division, Kollam (August 2005) and Buildings Division, Thalassery (January 2006) arranged works as detailed below, resulting in extra liability of Rs 99.21 lakh.

Name of item	Buildings Division, Kollam	Buildings Division, Thalassery
Name of work	Mini Civil Station, Punalur	Mini Civil Station, Thalassery
Original estimate	Rs 1.84 crore	Rs 1.48 crore
Contract amount	Rs 1.97 crore	Rs 1.51 crore
Month of award of contract	December 2003	November 2003
Period of contract	24 months from the date of handing over of site	24 months
Date of handing over site to contractor	21 June 2005	27 May 2005
Extra liability on the award of Arbitration Committee	Rs 51.79 lakh	Rs 47.42 lakh

Though the construction was to be done on Government land, there was abnormal delay in vacating the offices on the site and making the land available to the contractors. Due to the delay, the contractors demanded enhancement of rates by 50 *per cent* over their agreed rates. The matter was referred (April 2005) to the Arbitration Committee of the Public Works Department, which recommended (April 2005) an enhancement of 35 *per cent* above the estimates. Government accepted (June 2005) this proposal. Both the works, due for completion in May and June 2007, were still in progress.

There was abnormal delay in shifting the offices functioning in the proposed sites and handing them over to the contractors. Though the works were to be completed within 24 months, the sites were handed over to the contractors only after 17 months of signing of the contract. The failure of the Department in making available the sites to the contractors in time led to the abnormal delay in commencement of the works and consequent extra expenditure of Rs 99.21 lakh.

The matter was referred to the Government in April 2006; reply had not been received (August 2006).

4.3.4 Extra liability due to post contractual changes in the scope of works

Due to re-assessment of site requirements after award of contracts in respect of two works, Government had to incur additional estimated liability of Rs 2.75 crore.

Provisions in the Kerala Public Works Department Manual stipulate preparation of estimate for a work on the basis of detailed design and specification, study of site, etc., and reflect on, as faithfully as possible, of the cost of work, as can be foreseen at that time. It should be satisfied that excess, if any, occurring during execution is due to conditions unforeseen at the time of preparing the estimate. Two cases of projection of incorrect estimates for road works that resulted in vitiation of tenders creating additional estimated financial liability of Rs 2.75 crore to the Government, were noticed in Audit in October 2003 and December 2005, as detailed below:

(i) Chief Engineer (CE) sanctioned technically (February 2001) an estimate for formation of a Ring road around Malampuzha Reservoir in Palakkad District for Rs 3.45 crore. Superintending Engineer (SE), Kozhikode allotted (October 2002) the work for execution at Rs 2.58 crore, 24.99 *per cent* below the estimated rate. Ring road of 11.5 kilometre (km) fell in between the Malampuzha Reservoir and forest/private lands. After arranging the work, it was noticed that forest land was not available for road formation. Even if forest land was available, it would involve large quantity of rock blasting. Hence the alignment was shifted to the reservoir side. This involved excess earthwork cutting and filling and side protection work amounting to Rs 0.58 crore after allowing rebate on estimated rate. Thus, irrespective of the alignment of the work being changed or not, the cost of the work would increase. CE sanctioned (May 2004) a revised estimate for Rs 4.65 crore for the work.

(ii) CE, Roads and Bridges, technically sanctioned (January 2004) an estimate for the construction of a Link Road connecting NH 17 at Anchankallu and Thrissur – Kuttippuram State Highway at Puzhakkal in Thrissur District for Rs 7.15 crore. This 17.991 km road consists 5.8 km of PWD road, 1.5 km of Panchayat road, 7.891 km of road owned by the Kole Land Development Agency (KLDA) and 2.8 km road belonging to the Irrigation Department. The estimate proposed widening and resurfacing the PWD and Panchayat road portions while work in the remaining portion involved new formation with embankment filling, toe wall[*] construction using rubble masonry etc. The construction was entrusted (August 2004) to a contractor for Rs 6.09 crore, 14.5 *per cent* below the estimated rate.

While inspecting (October 2004) the site of work, the SE, Roads and Bridges Central Circle, Aluva, re-assessed the requirements for new formation in the Kole land road alignment and proposed replacement of slushy soil and side protection works additionally. The extra financial commitment on account of slush removal (23,000 cubic metre), excess earth filling (63,250 cubic metre), rubble retaining wall (26,650 cubic metre) with concrete top belt (370 cubic metre) worked out to Rs 2.17 crore (after rebate). In the revised estimate, works for Rs 53 lakh, originally proposed, were excluded. CE approved the revised estimate and supplementary agreement was executed in December 2005. The work due for completion by October 2006 was in progress and payment up to January 2006 amounted to Rs 2.14 crore. The road portion under the control of Panchayat, the KLDA and the Irrigation Department had not been taken over by the PWD as of March 2006.

In these two cases the estimates were prepared without proper study of the site and the revised estimates in these cases changed entirely from the original estimates in both cost and quantities.

The benefit of tender rebate obtained for these works through competitive offers were thus nullified, and created an additional estimated liability of Rs 2.75 crore (Rs 2.17 crore plus Rs 0.58 crore) on Government.

The matter was referred to Government in July 2006; reply had not been received (August 2006).

[*] Small retaining wall built at the foot of an earth slope

4.3.5 Extra liability due to revision of rate adopting incorrect data

Enhancement of rate for an item of work adopting incorrect data led to extra liability of Rs 1.54 crore.

The Superintending Engineer (SE), Roads and Bridges (North) Circle, Kozhikode allotted (March 1998) the work of construction of Kadalundikadavu Bridge for an agreed contract amount of Rs 5.92 crore with a tender premium of 90 *per cent*. Mention was made in the paragraph 4.4.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Civil) about avoidable expenditure due to post contractual change in the design of foundation of the bridge. Further scrutiny of the records of the work in Roads Division, Manjeri revealed (May 2004) the following:

One of the items of work in the contract schedule was Vibrated Reinforced Cement Concrete (VRCC) using granite stones of size 20 mm for girders, deck slabs, etc. The estimated quantity of this item was 17,97,000 cubic decimetre (dm^3) at a rate of Rs 39.50 per 10 dm^3. This rate was revised as Rs 84.50 per 10dm^3 during execution on the ground that hostile site conditions rendered it necessary to use steel for form work[Φ] instead of wooden poles and planks and steel N girders for scaffolding. Chief Engineer (CE) approved the modified rate (May 2001) and the SE executed supplemental agreement incorporating the enhanced rate in August 2001.

Additional conditions of the contract stipulated use of an absolutely rigid material, preferably of steel, for form work. The contractor quoted his premium taking this aspect into consideration and was fully aware of the fact that he would have to use steel materials, if necessary, for form work, as per the conditions of the contract. Thus there was no rationale behind the decision of the Department to allow rate enhancement for use of steel for form work.

Thus it was evident that the decision of the Department to allow enhancement of rates was beyond the scope of the agreement and not justifiable. Extra liability due to incorrect revision of rate for VRCC for a quantity of 17,97,000 dm^3 worked out to Rs 1.54 crore of which Rs 1.21 crore had been incurred as of January 2006.

The matter was referred to the Government in June 2006; reply had not been received (August 2006).

4.3.6 Nugatory expenditure on construction of Junghars

Execution of a short-term contract for construction of two Junghars without ensuring availability of funds led to delay in payments to the firm and consequent stoppage of work. The partly fabricated Junghars lying in the open suffered damages and deterioration rendering Rs 61.50 lakh spent so far wasteful.

Government issued administrative sanction (March 1998) for providing two mechanised Junghars[#] to operate in two ferries at Pulinkunnu and Kavalam

[Φ] Form is the temporary structure for moulding the concrete during curing period and is dismantled thereafter
[#] Ferry services capable of ferrying people and public transports like buses and other motor vehicles

connecting Alappuzha-Changanacherry road at Pallikoottumma to MC Road at Kurichi. Technical sanction for construction of two Junghars at an estimated cost of Rs 85 lakh was issued by the Chief Engineer (Mechanical) in July 1999. During audit (December 2005), it was noticed that the work was allotted in March 2000 to a firm which quoted the lowest rate (Rs 87 lakh + five *per cent* taxes) in response to the tenders. As per the agreement with the firm, payment was to be made in seven stages based on the progress of the work and the Junghars were to be delivered within six months, i.e. by September 2000.

There were delays in making payments to the firm for the work done. The first and second stage payments (Rs 18.27 lakh each) were delayed by over 10 months and 9 months respectively due to non-availability of funds. In March 2002, the Department paid advance of Rs 24.96 lakh direct to a supplier of engine, gear boxes, propeller shaft, etc. as requested by the firm for starting the third stage and the total payment upto March 2002 was Rs 61.50 lakh. The supplier supplied engines and accessories against the advance paid and they were placed inside the vessels under the custody of the firm. Meantime, the firm had been demanding timely payments for the work done and enhancement of rates in view of cost escalation of steel and other inputs. But other than granting periodic extension, the Department took no decision in this matter.

After the last extension upto 31 March 2004, no further extension was granted and there was no progress in the work. The Department assessed (April 2005) the value of work already done by the firm as Rs 55.29 lakh and the value of the remaining work, at the current prevailing rates, as Rs 75.46 lakh. The partly fabricated Junghars were lying in an open private yard taken on rent by the firm. The Executive Engineer reported in October 2005 that the Junghars were kept in highly saline surroundings, corrosion had affected the bottom area and there were major cracks in the structure. The extent of damage was not assessed.

The Departmental officers had violated financial rules of the Government by executing a short-term contract requiring regular payments without ensuring availability of funds. This was the prime reason for the delay in payments to the firm and consequent disruption in the work schedule causing cost escalation and stoppage of the work. Due to absence of any effective action to settle the grievances of the firm, the partly constructed Junghars, exposed to the inclement conditions, suffered extensive corrosion and damage rendering expenditure of Rs 61.50 lakh spent on it as wasteful. Indecisiveness and lethargy at the top levels of the Department and the Government had already delayed the work by over five years thus denying the intended benefits to the people of the area. Meanwhile the Department was arranging ferry service on contract basis at Pulinkunnu, where one of the junghars was to be put to service. According to the Executive Engineer, Roads Division, Alappuzha, expenditure on this account amounted to Rs 1.23 crore during 2000-01 to 2005-06.

The case reveals systemic weakness in the decision making process and total lack of accountability for the lapses and waste of public funds.

The matter was referred to Government in May 2006; reply had not been received (August 2006).

4.3.7 Unjustified investment on construction of a hospital building

Construction of 350-bedded hospital for a Government Ayurveda College without proper assessment led to avoidable expenditure of Rs 6.46 crore and additional liability of Rs 2.18 crore.

Government accorded administrative sanction (March 1995) for the construction of a 350-bedded hospital for the Government Ayurveda College, Thrippunithura, at an estimated cost of Rs 4.52 crore. The College already had 139-bed hospital facility for the clinical practice of students. The Superintending Engineer, Buildings and Local Works Circle, Thrissur entrusted (September 1997) the construction of the civil part of the hospital building to a contractor for Rs 7.39 crore, including tender premium of 42 *per cent* of estimated cost. In May 2004 Government sanctioned a revised estimate for the work for Rs 11.63 crore. The work due for completion in September 1999 was delayed due to inadequate funding and labour problems and was subsequently completed in December 2005. Part payment to the tune of Rs 8.69 crore was made upto October 2005 to the contractor. Pending completion of works on providing electrification, generators, fire-fighting equipment and lifts by Electrical wing of Public Works Department, the building has not been occupied as of May 2006.

Government Ayurveda College, Thrippunithura, has an annual intake capacity of 30 students. According to the standards/norms fixed by the Central Council of Indian Medicine (CCIM) for recognising Ayurvedic Medical Education Institutions, for a college with annual intake capacity of upto 50 students, a 100-bedded hospital functioning in a 20,000 square feet (1,858 square metre-m^2) covered area was the requirement. The new hospital building has a plinth area of 11,358 m^2 which is more than six times the requirement. According to PWD norms, space requirement for a patient in a hospital is 7.5 m^2. Considering the space available in the hospital as 10,222 m^2 (i.e. 90 *per cent* of the plinth area), it can accommodate 1,363 patients and the space, therefore is in excess by 7,597 m^2 even for a 350-bedded hospital. The Principal intimated (March 2006) that the Institution had plans to implement medical tourism in the hospital. But on verification it was found that there was no sanctioned project for this. The college now proposes to start new courses/arrange training to utilise the space available in the building.

Considering that a 350-bedded hospital was essential for the college, constructing an 11,358 m^2 building for that purpose lacked justification, as it was far in excess of the requirement and there was no adequate patient turnout at the hospital. Proportionate cost of Rs 6.46 crore incurred on the extra space thus proved to be avoidable investment besides additional liability of Rs 2.18 crore on completion.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

WATER RESOURCES DEPARTMENT

4.3.8 Avoidable expenditure due to non-availing of Central Excise Duty exemption granted by Government of India

Failure of the KWA to avail of Central Excise duty exemption resulted in avoidable expenditure of Rs 1.03 crore.

Government of India (GOI) granted (September 2002) exemption from Central Excise duty on all items of machinery including instruments, apparatus and appliances, auxiliary equipment and their components/parts required for setting up water treatment plants intended to make water fit for consumption of humans or animals. Central Excise duty exemption was also granted to pipes required for obtaining untreated (raw) water from its source to the plant and for supplying treated (potable drinking) water to the storage place from where it would be further supplied for consumption of human or animals. The exemption was subject to the certification by the Collector/ District Magistrate/Deputy Commissioner of the district in which the water treatment plant was to be set up.

Test check of records of nine out of 36 Divisions (including Project Circle, Kochi) of the Kerala Water Authority (KWA), revealed that Central Excise duty exemption granted by the GOI was not availed of in 16 cases (schemes) relating to the construction of water treatment plant, laying of pipes for conveying untreated water to the plant and treated water to the storage place. The agreement for these schemes was executed between October 2002 and January 2005 and the machinery/pipes were purchased and work executed after the issue of the exemption order. This resulted in avoidable loss of Rs 1.03 crore (**Appendix XXVI**) to the KWA.

Failure on the part of the Superintending Engineer/Executive Engineer to avail of the Central Excise duty exemption after obtaining the required certificate from the Collector of the district in which the water treatment plant was set up, led to avoidable expenditure of Rs 1.03 crore.

The matter was referred to Government in July 2006; reply had not been received (August 2006).

4.3.9 Avoidable expenditure on execution of work under 'supplying and laying' contract

Failure of KWA to arrange direct purchase of pipes and lapse on the part of Chief Engineer/Superintending Engineer to adhere to the instructions of the Managing Director led to avoidable expenditure of Rs 1.12 crore.

(A) Managing Director, Kerala Water Authority (KWA) sanctioned (March 2003) the balance work of laying 3280 metres of Raw Water Pumping Main from Vettampara to Malippara of Rural Water Supply Scheme to Pindimana with 300mm Ductile Iron K 9 (DI K9) pipes on supplying and laying basis at an estimated cost of Rs 92 lakh. The work was targeted for completion by December 2003.

Superintending Engineer, PH Circle, Muvattupuzha allotted (June 2003) the work to a contractor for an accepted contract amount of Rs 1.21 crore of which Rs 89.93 lakh represented cost of pipes and other materials and Rs 30.72 lakh (35 *per cent* above the estimate amount of Rs 22.76 lakh) related to working charges. According to the accepted schedule of work, the total cost for supply of 3280 metres of 300 mm DI K9 pipe was Rs 87.58 lakh at the rate of Rs 2670 per metre.

It was noticed (December 2004) in audit that the market price of 300 mm DI K9 pipe, as evidenced from the invoice cum delivery chalan of the supplier, was Rs 1750 per metre including freight. As against this, the rate accepted was Rs 2670 per metre. Though the Managing Director had instructed (March 2002) that the tender sanctioning authority should satisfy himself of the current cost of pipes and other materials and cost of labour at the time of allotment of work on supplying and laying basis, this was not observed by the Chief Engineer/Superintending Engineer while allotting the work resulting in avoidable expenditure of Rs 30.18 lakh on the cost of 3280 metres of 300 mm DI K 9 pipes. Incidentally, it was also noticed that of the total length of 4280 metres of raw water pumping main, 1000 metres were already laid (2002-04) through the same contractor, for which pipes were directly purchased by the KWA from the firm at the rate of Rs 1603 per metre.

(B) Managing Director, Kerala Water Authority sanctioned (July 2003) the work of laying clear water pumping main (9,800 metres) from water treatment plant to ground level tank at Kottarammudy with 250 mm Ductile Iron K9 (DI K9) pipes and the transmission main (2,640 metres) with PVC and GI pipes from ground level tank to zone I and III of the Accelerated Rural Water Supply Scheme to Kuttamangalam and Neriamangalam under 'supplying and laying' basis at an estimated cost at Rs 2.50 crore. Superintending Engineer, PH Circle, Muvattupuzha split up the work of clear water pumping main into five reaches and allotted to five contractors between September 2003 and April 2004 for an accepted total contract value of Rs 2.69 crore. For laying charges, tender excess quoted at varying rates over estimated cost and for supply of materials, the lowest rates offered by the contractors were accepted without considering the market rate. The work was completed during April 2004-May 2005. On verification of the records, the following irregularity was noticed in audit.

Managing Director had instructed (March 2002) that the tender sanctioning authority while allotting works under 'supplying and laying' basis should satisfy himself of the reasonableness of rates/amounts having regard to cost of labour and current cost of pipes and other materials at the time of allotment. The instructions were, however, not observed by the Chief Engineer/Superintending Engineer while allotting the work. It was observed that the market rate of 250 mm DI K9 pipe was Rs 1,280 per metre including freight. As against this, the rates accepted ranged from Rs 1,948 to Rs 2,380 per metre. This resulted in avoidable extra expenditure of Rs 81.61 lakh on supply of 9,800 metres of 250 mm DI K9 pipes.

Thus, the failure of the KWA to arrange purchase of pipes directly and failure of Chief Engineer/Superintending Engineer to satisfy himself of the current cost of pipes at the time of allotting the work led to an avoidable expenditure of Rs 1.12 crore to the KWA.

The matter was referred to Government in July 2006; reply had not been received (August 2006).

4.4 Idle investment/Idle establishment/Blockage of funds

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.1 Idle investment on health centres

Lack of planning and failure to provide funds/staff for the continued functioning of the health centres resulted in the idling of health centres and forgoing of assistance of Rs 8.91 crore.

Government of India introduced (November 1997) the Reproductive and Child Health (RCH) Programme as part of cent *per cent* Centrally Sponsored Family Welfare Programme aimed at stabilising population growth and improving the health status of women and children. The World Bank assisted programme was to be implemented during a period of five years 1997-98 to 2001-02, which was extended up to 31 March 2004. Funds for the programme were to be provided to the State during the project period and expenditure for sustaining the programme beyond that was to be met by the State Government. The Districts of Kozhikode and Palakkad in the State were selected for implementation of the RCH District Projects. Against the project cost of Rs 27.18 crore, Rs 18.27 crore alone had been availed of during the project period and assistance of Rs 8.91 crore was forgone as of March 2005. Audit scrutiny conducted (July 2005) on the implementation of the project revealed the following.

Under the scheme, nine Urban Health Centres (UHC) (Rs 0.75 crore) and 27 Maternal and Child Health Centres (MCHC) (Rs 1.62 crore) were constructed in Kozhikode District and 54 Reproductive and Child Health sub Centres and 22 operation theatres (Rs 7.94 crore) were constructed in Palakkad District. Other main items of expenditure under the project were construction of a new born nursery and modification to operation theatre/labour room in Beach Hospital, Kozhikode (Rs 0.74 crore), vehicles (Rs 0.59 crore), furniture and office equipment (Rs 1.51 crore), operating cost (Rs 2.16 crore), surgical instruments and drugs (Rs 1.03 crore), and miscellaneous expenditure (Rs 1.94 crore).

After the project period, the Government transferred (October 2004) six out of the nine UHCs and 27 MCHCs in Kozhikode to the Kozhikode Municipal Corporation (Corporation). However, the Corporation had not taken possession of these centres for want of funds for their continued operation. It was noticed in audit that five UHCs where the Corporation had already been running dispensaries and two UHCs and six MCHCs run by the Health Services Department alone were functioning. The remaining two UHCs and 21 MCHCs were not functioning as of January 2006.

Out of the 54 RCH sub centres constructed in Palakkad District, 13 were not functioning as of January 2006 for want of electricity and water supply (four), shortage of staff(two), non-access to the centre, etc. It was also noticed that two of these sub-centres were located in a lonely place while another centre was surrounded by forest. Out of the 22 operation theatres constructed, eight were not functioning for want of staff(seven) and electricity(one).

The failure of the Department to properly locate the centres and provide basic infrastructure facilities like electricity and water supply during the project period when funds were available and failure of the Government to provide funds/staff for the continued functioning of the health centres after the project period, resulted in the idling of the health centres/operation theatres and thus the objective of delivering the benefits of health care facilities to women and children could not be fully achieved.

Government stated (August 2006) that the newly constructed UHCs were not fully operational due to shortage of staff/paucity of funds for Kozhikode Corporation. As regards the sub centres in Palakkad district, it was stated that some of the locations might appear to be lonely but the intentions of setting up these centres had been with a vision to provide basic health facilities in unserved areas.

4.4.2 Premature release of funds for a project that did not take off

Government released funds for a project even before setting up the implementing agency and before identifying the external funding agency. As a result the project did not take off and Rs 1.26 crore out of Rs 1.40 crore released remained locked up in treasury deposits for more than three years.

State Government sanctioned (November 2002) the setting up of the Kerala Heart Foundation (KHF) to function as a comprehensive cardiology prevention, treatment, training and research centre. KHF was registered as a Society in June 2003. The project estimated to cost Rs 34.70 crore was to be financed by the Government grants (Rs 11.70 crore including cost of land) and long term loan from external financial agencies (Rs 23 crore). Government transferred 3.78 acres of land to KHF in the Medical College Campus at Thiruvananthapuram free of cost in December 2003.

In March 2003, even before KHF was registered as a Society, the Government released Rs 1.20 crore to the Director, KHF for the project with the direction that the amount be kept in Treasury Savings Bank and used for setting up a 30 bedded ward and procurement of equipment. While this amount was idling in the treasury deposit a further release of Rs 20 lakh was made in March 2004. As of April 2006, KHF spent Rs 13.68 lakh, mainly on salary of the three staff members and expenses related to the office and the unspent balance of Rs 1.26 crore remained in the Treasury deposit.

This is a case where the Government acted without regard to the canons of financial propriety and prudence. An appraisal committee to study the income generating capacity and financial viability of the project was constituted long after the KHF was set up and its report submitted in September 2005 was still under examination (June 2006). As a result the external agency to fund the project by way of loan could not be identified (June 2006). Meanwhile, the Government money released merely to exhaust the budget provision, without assessing actual need or scope of spending, resulted in it being locked up in a deposit account for more than three years.

Government stated (July 2006) that efforts for mobilising further funds for the project did not materialise. Hence, it was proposed to commence the Project by utilising the allotted funds for purchase of equipment to improve the facilities in the Department of Cardiology, Medical College, Thiruvananthapuram which was designated as the base unit of KHF by the Government.

GENERAL EDUCATION DEPARTMENT

4.4.3 Idle investment on buildings

Construction of staff quarters, hostel building and other facilities under the Teacher Education Scheme was completed only after 12 years at the cost of Rs 1.28 crore and these were not put to use so far due to non – availability of electricity connection.

Government sanctioned (October1988) construction of staff quarters, hostel building and other facilities under *cent per cent* centrally sponsored scheme of Teacher education for the District Institute of Education and Training (DIET) at Maipady in Kasaragod district at an estimated cost of Rs 56 lakh. The work entrusted to the Kerala State Construction Corporation (KSCC) in March 1989 was terminated (December1994) due to slow progress of work. The remaining work was rearranged through the Public Works Department (PWD) in June 1997 prescribing the period of completion as 18 months. PWD completed the buildings in March 2003 at a total cost of Rs. 1.28 crore (including Rs 7.47 lakh paid to the KSCC). Thus, the Department took 14 years to get the building completed.

The Principal initiated action for getting the estimate for applying for electricity connection from the Kerala State Electricity Board (KSEB) in October 2003 and took over the buildings in August 2004. The estimate for Rs 4.40 lakh received from the KSEB in July 2005 was returned by the Director of Public Instruction (December 2005) for getting the amount reduced. The revised amount of Rs 2.69 lakh was remitted by the Principal in February 2006, but the connection had not been received as of March 2006.

The buildings completed at a cost of Rs 1.28 crore could not be utilised so far for want of electricity connection even three years after completion of the building. The Department did not take any serious efforts to get the estimate from the KSEB which was delayed by about two years.

The Principal stated (April 2006) that the institution suffered for the last several years due to lack of these facilities as all the Teacher trainings were conducted in other schools and the students had to arrange for their stay by other means. Thus the staff quarters, hostel buildings, laboratory, workshop etc, sanctioned 17 years ago, and essential for the students and teachers of DIET could not be utilised as of April 2006. .

Government in its reply stated (July 2006) that the building was occupied by DIET in May 2006. But the fact remains that the facilities sanctioned by Government were denied to the students and teachers for about seventeen years due to inadequate monitoring by the department.

TOURISM DEPARTMENT

4.4.4 Idle investment on tourist complexes/Yathri Nivas

Four tourist complexes/Yathri nivas constructed between October 2002 and August 2004 at a cost of Rs 5.11 crore were not put to any use, rendering the investment idle.

As a part of providing facilities to the tourists, the Government decided to construct tourist complexes/Yathri Nivas with the Central assistance. The work was entrusted to the Central Public Works Department (CPWD) between 1995 and 1999. CPWD completed the construction of buildings between October 2002 and August 2004 at a cost of Rs 5.11 crore. The details of funding, expenditure and status of these projects were as follows:

(Rupees in lakh)

Sl. No.	Name of Project	Total amount released	Total cost of construction	Month of completion	Date of taking over by Tourism Department
1	Tourist complex at Guruvayur	208.55	183.05	October 2002	April 2003
2	Yathri Nivas at Kondotty	89.84	88.06	September 2002	September 2004
3	Yathri Nivas at Thirunelli	107.25	92.08	August 2004	May 2005
4	Tourist complex at Kalady	148.15	147.35	February 2003	August 2005
Total		**553.79**	**510.54**		

Government decided to lease out these projects to private agencies and accorded sanction (May 2003) for engaging Infrastructure Development Finance Company (IDFC) for preparing lease documents and upset value for leasing out the project at a fee of Rs 13 lakh. Based on the recommendation (October 2003) of the evaluation committee, the Director requested (November 2003) Government to issue orders for transferring the four projects to the successful bidders. Government decided to retender for the leasing out of the projects at Kondotty, Thirunelly and Kalady as the offers received were not acceptable and ordered (June 2005) to lease out the tourist complex at Guruvayur to Guruvayur Devaswom Board (Board) for 15 years. Government fixed lease rent at the rate of Rs 15.92 lakh in September 2005 for Guruvayur complex but the Board refused to execute the agreement on the plea that the rate of Rs 15.92 lakh fixed was high. Thus none of the four Yatri Nivas/Tourist complex had been leased out as of April 2006.

The buildings constructed between September 2002 and August 2004 at a cost of Rs 5.11 crore remained idle for 20 to 43 months. The Tourism Department had not shown any urgency in putting the buildings to its intended use even though the delay was causing revenue loss to the Government by way of lease rent receivable. The lack of concern of the Department is also evident from the abnormal delay even in taking over three of the completed buildings. Over and above the objective of providing facilities to tourists also was not achieved.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

WATER RESOURCES DEPARTMENT

4.4.5 Inordinate delay in completion of an Urban Water Supply Scheme

Lack of planning and administrative lethargy led to the non-completion of a Water Supply Scheme sanctioned a decade ago, rendering the expenditure of Rs 2.63 crore incurred on it unproductive.

Government sanctioned (March 1996) an Urban Water Supply Scheme (Scheme) to Ottappalam at an estimated cost of Rs 9.95 crore. The Scheme was to be implemented with loan assistance from LIC and was targeted for completion in 1999. An amount of Rs 1.39 crore had been availed as loan from LIC as of March 2006. The Scheme comprised construction of cross bar (weir) across Bharathapuzha, RCC intake well-cum-pump house, treatment plant, laying raw water and clear pumping main, construction of service reservoirs, providing distribution system, etc. Scrutiny of the records of PH Division, Shoranur revealed (November 2004) the following.

Construction of intake well-cum-pump house, leading channel, booster station, staff quarters, laying of pumping main and part of distribution system were completed between February 2000 and March 2004 and the work of service reservoirs was partially completed as of March 2006 at an aggregate cost of Rs 2.63 crore. However, the major components of the scheme such as construction of weir, treatment plant, laying of raw water pumping main and clear water pumping main in 3 out of 4 zones and supply and erection of raw water and clear water pumpsets had not been taken up as of March 2006.

Construction of weir across Bharathapuzha was to ensure the availability of 13 mld water required for the Scheme and also to cater to the requirements of Rural Water Supply Scheme to Thiruvilwamala and Kondazhi in Thrissur District. The estimated cost (March 1996) of construction of weir was Rs 93.75 lakh (Rs 68 lakh provided in the estimates for UWSS to Ottappalam) which was revised to Rs 4.00 crore in March 2001. No decision on this revised proposal had been taken by the Kerala Water Authority (KWA). A deviation proposal for the partial commissioning of the Scheme by providing infiltration gallery at the source at a cost of Rs 25 lakh had also not been approved.

The site originally proposed for construction of treatment plant at an estimated cost of Rs 1.20 crore had to be changed due to non-availability of required land. Though another site was identified in September 1998, the proposal for construction at the new site costing additional expenditure of Rs 69.80 lakh due to additional deviations was approved only after 5 years in December 2003. However, the tender for the work had not yet been arranged by the Superintending Engineer (March 2006). The estimates for execution of raw water pumping main and clear water pumping main proposed on 'supplying and laying basis' was also awaiting sanction of the KWA (March 2006).

Thus, the Scheme sanctioned in March 1996 had been languishing for a decade owing to the failure of the KWA to synchronise the work of various components of the Scheme and its lackadaisical approach, rendering the expenditure of Rs 2.63 crore incurred so far on the Scheme unproductive.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

4.5 Regularity issues and other points

FINANCE DEPARTMENT

4.5.1 Functioning of Treasuries

Failure of the Treasury officers to exercise the prescribed checks led to overpayment of pension/family pension aggregating Rs 26.61 lakh.

The treasuries in Kerala are functioning under the administrative control of the Director of Treasuries (DoT). There were 23 District Treasuries and 171 Sub-Treasuries in the State as on 31 March 2006.

Inspection by Accountant General (Accounts & Entitlement)

Accountant General (Accounts & Entitlement) inspected 144[⊕] Treasuries in 2004-05 and 149[∅] Treasuries in 2005-06. Inspection of treasuries is akin to regularity audit. Following major irregularities and failure in control were noticed during inspection of treasuries.

Departmental inspections

According to the provisions in the Kerala Treasury Code (KTC), DoT has to inspect each District Treasury at least once in every year and arrange for inspection of Sub Treasuries at least once in two years by an Assistant Director. District Treasury Officer (DTO) is required to conduct inspection of all Sub Treasuries once in a year, without notice. DoT/DTO failed to conduct inspections regularly resulting in arrears as indicated below:

- In the Sub Treasury, Vikas Bhavan, DoT and DTO had not conducted inspection so far.
- DoT conducted the last inspection in Additional Sub Treasury, Thiruvananthapuram in November 1994 and in Sub Treasury, Rajakumary in May 1998.
- DoT had not conducted inspection in eight[#] treasuries for the last five years, nine[♣] treasuries for the last four years and 19[♥] treasuries for the last three years.
- DTO had not conducted inspection in 14[∝] treasuries for more than four years.

Overpayment of pension/family pension

It was noticed that overpayment of Rs 10.61 lakh was made towards payment of pension/family pension in 206 cases (80 treasuries) during 2004-05 and Rs 16 lakh in 260 cases (70 treasuries) during 2005-06 as detailed below.

- According to the Kerala Service Liberalised Family Pension Scheme, enhanced family pension equivalent to 50 *per cent* of basic pay last drawn subjected to a maximum of twice the family pension was admissible for a period of seven years from the date of death or till the date on which the employee would have reached the age of 62 years which ever period is shorter, and at ordinary rates thereafter. It was noticed that during 2004-05 and 2005-06, excess payment of Rs 13.08 lakh was made in 115 cases due to non-reduction of family pension after the specific period.

[⊕] 23 District Treasuries and 121 Sub Treasuries

[∅] 23 District Treasuries and 126 Sub Treasuries

[#] Sub Treasury (ST) Valanchery, ST Chathannur, Rural District Treasury, Kattakada, ST Thirurangadi, DT Thiruvananthapuram, Pension payment Sub Treasury (PPST) Kollam, District Treasury (DT) Muvattupuzha, ST Annamanada

[♣] ST Tirur, ST Malayinkeezhu, DT Wayanad, ST Vithura, DT Malappuram, DT Thrissur, ST Punalur, ST Kaduthuruthy, ST Kuzhalmannam

[♥] ST Mannarkad, ST Kunnamkulam, ST Taliparamba, ST Kothamangalam, ST Agali, ST Mulanthuruthy, ST Angamaly, ST Kannur, ST Kottarakkara, DT Kottarakkara, ST Ponnani, ST Manjeri, ST Peerumedu, ST Adimali, PPST Ernakulam, ST Paravoor, ST Aluva, ST Poochakkal, ST Iritty

[∝] Additional Sub Treasury, Thiruvananthapuram; Pension Payment Sub Treasury, Thiruvananthapuram; ST Thirurangadi, ST Tirur, ST Malayinkeezhu, ST Ponnani, ST Thriprayar, ST Pudukkad, ST Kodungallur, ST Vellarikundu, ST Mundakkayam, ST Kallachi, ST Thottilpalam, ST Pattambi

- According to the Kerala Service (Pension) Rules, if a pensioner commuted a part of his pension, the amount of pension should be reduced to that extent. It was noticed that in 54 cases, commuted value of pension had not been reduced from the basic pension resulting in over payment of Rs 1.65 lakh during 2002-03 to 2005-06. Similarly, payment of ineligible family pension, incorrect calculation of dearness relief, etc., were also noticed and the total overpayment/excess payment worked out to Rs 8.08 lakh in 233 cases.
- Consequent on revision of pay scale of the Government employees with effect from 01 March 1997 pension and family pension were revised by consolidating the existing pension and family pension, dearness relief, interim relief and fitment benefit. Due to wrong calculation of revision of pension excess payment of Rs 2.82 lakh in 47 cases in 2004-05 and Rs 0.99 lakh in 17 cases in 2005-06 were noticed.

District Treasury Officers/Sub Treasury Officers admitted the mistakes and started recovery of the overpayment. Out of the total overpayment of Rs 26.61 lakh, the treasuries recovered an amount of Rs 8.89 lakh leaving a balance of Rs 17.72 lakh as reported by the Treasury Officers as of 30 June 2006.

GENERAL EDUCATION DEPARTMENT

4.5.2 Diversion of Special Fees Fund

Government schools and aided schools were denied benefits intended from Special Fees Fund as Rs 12.51 crore were diverted for conducting SSLC examination.

Government notification issued in January 1969 contained instructions for collecting special fees for items like Games, Library, etc., from the students of the Government and aided schools and for utilising the Special Fees Fund (Fund). It also provided that a Committee should be constituted for each school for the proper utilisation of the Fund and that the Fund should be utilised only for the purpose for which it was collected.

Test check of the records of the 378[Ω] Government High Schools in 13 districts during 2005-06 revealed that the collections in the Fund were being diverted by the schools for several years as directed by the Commissioner for Government Examinations (CGE) for conducting Secondary School Leaving Certificate (SSLC) and other Public Examinations. There were 1002 Government High Schools and 1442 Aided High Schools in the State as of April 2006 and the expenditure for the conduct of SSLC Examination for each school ranged between Rs 5000 and Rs 15000.

Until 2001-02 the examination fee was leviable only from private candidates. But examination fee was levied from regular students at the rate of Rs 60 per student for the year 2002-03 and at the rate of Rs 30 per student from 2003-04 onwards. Consequently, the Department collected Rs 3.30 crore in 2002-03

[Ω] Thiruvananthapuram – 56, Kollam- 42, Pathanamthitta – 14, Kottayam – 9, Alappuzha – 27, Ernakulam – 37, Thrissur – 29, Palakkad – 21, Malappuram - 51, Kozhikode - 29, Wyanad – 7, Kannur – 31, Kasaragod - 25 and Rs 2.29 crore in 2003-04 as against the average annual fee collection of Rs 1.50 crore during the preceding three years (1999 to 2002). Evenafter starting collection of examination fee from regular students the Department failed to make adequate provision in the budget estimates and the practice of diversion of special fee for conducting the examination continued. According to the information received (March 2006) from the CGE, Rs 12.51 crore was diverted from the Fund of the Schools during 2000-04. Following points were noticed in Audit.

- The Funds were to be utilised for the basic facilities of the schools like purchase of materials for Sports and Games, additional facilities for Laboratories and Libraries, Science Exhibition, etc., for which no other source is available and as a result of diversion of the Fund, these activities were severely affected in the Schools and the purpose of collecting Special Fee Fund from students was defeated.
- Director of Public Instructions/CGE failed to take adequate steps for regularisation and recoupment of the expenditure and as a result in most of the schools the funds were exhausted.
- Proper account was not maintained in the CGE for the expenditure incurred prior to 2000.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.3 Loss of Central assistance

Delay in setting up of three Regional Diagnostic Centres resulted in loss of Government of India grant of Rs 2.19 crore and denial of the intended diagnostic facilities to the public.

Eleventh Finance Commission (EFC) awarded grant of Rs 9 crore for setting up three Regional Diagnostic Centres (RDCs) each at a cost of Rs 3 crore. State Government sanctioned (August 2001) setting up of the RDCs at Kollam, Ernakulam and Palakkad. The execution and management of RDCs at Kollam and Palakkad was through KHRWS[Ψ] and that at Ernakulam through the Hospital Development Committee. The award of the EFC was for utilisation of the grant within the award period between April 2000 and March 2005. As per the Government of India (GOI) guidelines, the plan of action of the Administrative Department was required to conform to the pattern contemplated by the Finance Commission and grants that remained unutilised as on 31 March 2005 was to lapse.

As per the records in the Finance Department, out of the award grant of Rs 9 crore, Rs 7.71 crore were released by the GOI and Rs 6.81 crore spent by the Health Department during the award period. It was also seen in Audit that

- Against Rs 1.41 crore estimated by the EFC on cost of building for the three RDCs (Rs 47 lakh for each RDC) the Department spent

[Ψ] Kerala Health Research Welfare Society

Rs 2.57 crore.

- Though the EFC had given broad indications of the equipment required and estimated its cost as Rs 2.53 crore for each RDC, there was huge shortfall in purchase of the equipment despite availability of funds. EFC provided Rs 90 lakh for each RDC for purchase of Computerised Tomography (CT) scan machine, an essential and costly equipment required for diagnosis and rarely available in the Government hospitals. But this equipment was not purchased for any of the RDCs.
- RDC at Ernakulam was commissioned (November 2005) partially and RDCs at Kollam and Palakkad had not started functioning due to non-availability of adequate staff and essential equipment as of July 2006.

Thus, despite availability of GOI grant and time up to five years to utilise it, the Health Department did not take effective steps to complete construction of buildings and for purchasing of specialised equipment like Electro Cardio Gram machine, Ultra Sound Scanner, Fully Automated Haematology Analyser, Incubator, Elisa Reader with washer, etc., within the award period up to 31 March 2005. As a consequence, the benefits of diagnostic facilities contemplated to be provided to the public by starting of the three RDCs was abnormally delayed and the revenue receivable by way of user charges was also lost. Apart from this, due to the failure of the Department to utilise the EFC grant within the prescribed time, the State Government lost Central grant of Rs 2.19 crore (Rs 9 crore - Rs 6.81 crore) specifically provided for the RDCs.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

LOCAL SELF GOVERNMENT (RURAL) DEPARTMENT

4.5.4 Loss of Central assistance

Non-observance of Central guidelines in the implementation of Sampoorna Grameen Rozgar Yojana Scheme resulted in loss of Central assistance to the tune of Rs 31.76 crore during 2003-04 and 2004-05.

Ministry of Rural Development, Government of India (GOI), reviewed the implementation of Employment Assurance Scheme (EAS) and Jawahar Grama Samrudhi Yojana (JGSY) and merged these two schemes into one, *viz*., Sampoorna Grameen Rozgar Yojana (SGRY) with effect from September 2001. GOI implemented the schemes in two streams SGRY-I(EAS) and SGRY-II(JGSY) until March 2004 and merged I and II from April 2004. The scheme aimed at providing additional and supplementary wage employment, providing food security, improving nutritional levels in rural areas and creating social and economic assets and infrastructural development in rural areas. This was a Centrally sponsored scheme on cost sharing basis between Centre and State in the ratio of 75:25 of cash component. GOI implemented SGRY in the State through District Rural Development Agencies (DRDAs).

As per the guidelines issued by the GOI, the assistance would be released in two instalments. The first instalment for a year shall be released to the DRDA which obtained the second instalment of funds and food grains in the preceding financial year. The second instalment of the year shall be released on fulfilment of the following conditions:

(i) Sixty *per cent* of total available funds (opening balance of the year plus the amount received including State share and other receipts during the year) should have been utilised at the time of submitting the proposal for the second instalment,

(ii) Fifty *per cent* of foodgrains allotted as first instalment should have been lifted and 60 *per cent* of the lifted foodgrains utilised,

(iii) The opening balance of the District should not exceed 15 *per cent* of fund available during previous year and

(iv) Twenty two and a half *per cent* of resources earmarked for District Panchayat and Intermediate level Panchayats and 50 *per cent* of annual allocation for village Panchayats should be utilised for the welfare of Scheduled Caste/Scheduled Tribe (SC/ST).

The guidelines also stipulate that the State Government should make sufficient provision in budget to match the Central financial assistance and should release all its contributions due up to the date of application. In the event of shortfall in the State share corresponding amount of Central share will be deducted from the amount of Central share of the second instalment of the year. In case of shortfall in expenditure of SC/ST, proportional deduction will also be made from the second instalment.

Review on the implementation of SGRY scheme in 14 DRDAs in Kerala revealed that under utilisation of cash component in previous years, non-release of matching State share of cash assistance, under-utilisation of assistance for weaker section, etc., resulted in loss of Central assistance to the tune of Rs 31.76 crore under SGRY scheme during 2003-04 and 2004-05 as detailed below:

(Rupees in crore)

Deduction on account of	2003-04		2004-05	Total
	SGRY I	SGRY II		
Cash Component				
Excess Opening Balance	4.92	3.17	4.59	12.68
Amount towards incurring less expenditure than floor limit prescribed for the welfare of Scheduled Castes/Scheduled Tribes	0.30	0.60	0.47	1.37
Amount towards short release of contribution by the State Government	0.91	0.43	7.62	8.96
Others	1.05		0.08	1.13
Total	**7.18**	**4.20**	**12.76**	**24.14**
Food Component				
	1.95	1.48	4.19	7.62
Grand Total				**31.76**

The loss of Central assistance showed an increasing trend during 2003-05, the percentage of increase being 14. The Project Officers, while admitting the loss of Central assistance, generally attributed this to the poor achievement by the Implementing Officers in the field level.

The Commissioner, Rural Development stated (August 2006) that if at all there was any under-utilisation in some Districts, it would be adjusted in the overall additional fund requirement of the State and the consequent additional Central allocation of funds. The reply was not tenable as the Central Government released funds direct to DRDAs by considering District as a unit and no additional Central allocation of funds as indicated in the reply of the Commissioner was received during 2003-04 and 2004-05.

The matter was referred to Government in July 2006; reply had not been received (August 2006).

POWER DEPARTMENT

4.5.5 Non-implementation of schemes by Agency for Non-conventional Energy and Rural Technology (ANERT)

Failure of ANERT to take up and implement Centrally assisted non-conventional energy projects resulted in loss of Central assistance to the tune of Rs 6.51 crore.

Agency for Non-conventional Energy and Rural Technology (ANERT) is an autonomous body registered in January 1986* under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 with the object of gathering and disseminating knowledge in the fields of non conventional energy, energy conservation and rural technology. Scrutiny of the records of ANERT revealed (December 2005) that ANERT failed to take up/implement Centrally assisted non-conventional energy projects resulting in loss of Central assistance of Rs 6.51 crore as detailed below.

(Rupees in crore)

Sl. No.	Name of programme	Estimated cost of the project	Central share
1.	100 KWP Grid interactive Solar Photovoltaic Power Plant at Legislature Complex, Thiruvananthapuram	2.99	1.99
2.	2 MW Demonstration Wind Power Project at Ramakkalmedu, Idukki District	9.50	3.84
3.	Solar Home Systems (1200 Nos.) and Street Lighting System (120 Nos.)	0.68	0.68
	Total	**13.17**	**6.51**

The project at Sl.No.1, intended to generate 1.48 lakh units of energy annually was to be executed within a period of two years. Ministry of Non-Conventional Energy Sources (MNES) released Rs 19.93 lakh in March 2002 being 10 *per cent* of the Central share. It was noticed that ANERT failed to execute a power purchase agreement with the Kerala State Electricity Board (KSEB) which was a must for proceeding further with the execution of the Grid Interactive Plant. As ANERT could not make any progress in implementation of the project as per the Ministry's norms and guidelines, MNES cancelled the project in February 2004 and directed to refund the Central assistance alongwith the interest accrued thereon plus penal interest at 6 *per cent* per annum. ANERT refunded Rs 19.93 lakh in March 2004.

In respect of the project at Sl.No.2, though ANERT forwarded proposals (September 1998) to MNES, further mandatory input details to process the proposal were not furnished to them. State Government administratively sanctioned (November 2003) the project at a total cost of Rs 9.50 crore. Though MNES cautioned (January 2004) that it was difficult to keep the earmarked funds in the Budget Estimate for 2003-04 the required details were

* Dissolved in February 2003 and amalgamated with Kerala State Council for Science, Technology and Environment and again registered as a separate body in July 2004 under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955

not furnished. Instead, ANERT requested (December 2004) MNES for shifting the site as the proposed site was occupied by encroachers. Meanwhile, MNES had discontinued the scheme of Demonstration Wind Farm.

MNES sanctioned (December 2003) the project (Sl.No.3) for the year 2003-04 and released (January 2004) an advance of Rs 35.16 lakh. The period of completion was extended upto March 2005. ANERT, however, failed to finalise the contract for supplying the devices even within the extended period of the project and hence Central assistance of Rs 67.92 lakh could not be availed. The advance of Rs 35.16 lakh was refunded in July 2005.

Thus, lack of initiative and administrative inefficiency contributed to ANERT's failure to take up and implement the projects resulting in loss of Central assistance of Rs 6.51 crore and the State was also deprived of the benefits of cost efficient non-conventional energy sources.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

GENERAL

4.5.6. Lack of Government's responsiveness to Audit

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

At the end of June 2006, 6,708 IRs and 22,218 paragraphs issued upto December 2005 were outstanding for settlement. The year-wise break-up of these IRs is given below.

Year	Number of IRs	Number of Paragraphs
Upto 2001-02	1,621	4,628
2002-03	1,314	3,530
2003-04	1,218	3,574
2004-05	1,614	5,451
2005-06 (issued upto December 2005)	941	5,035
Total	**6,708**	**22,218**

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

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

A review of the outstanding IRs pertaining to the Public Works Department (Roads) and the Water Resources Department (Project) revealed that 777 paragraphs contained in 228 IRs having money value of Rs 378.08 crore remained unsettled at the end of June 2006. The year-wise position of the outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix XXVIII.**

4.5.7 Follow up action on Audit Reports

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

The position of pendency as of July 2006 in furnishing ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India - Civil- Government of Kerala pertaining to the years 1999-00 to 2004-05 was as follows:

Reference to Report (year)	Number of Paragraphs included	Number of Paragraphs for which ATNs have been furnished by the Government	Number of paragraphs for which ATNs were due from the Government
1999-2000	58	55	3
2000-01	51	49	2
2001-02	24	22	2
2002-03	63	51	12
2003-04	43	15	28
2004-05	32	--	32
Total	**271**	**192**	**79**

The department-wise details of the ATNs pending are furnished in **Appendix XXIX**.

[#] Paragraphs relating to the Kerala Water Authority and the Kerala Khadi and Village Industries Board are examined by the COPU