

OVERVIEW

This Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Kerala for the year 2005-06 and three others comprising six reviews, one long paragraph and twenty three 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 judgement 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 is given below.

Financial Position of the State Government

Both revenue and fiscal deficits continued to remain high. The revenue expenditure during the year grew by only 7.3 *per cent* compared to 13.3 *per cent* growth in the revenue receipts which resulted in reduction of revenue deficit by Rs 540 crore. Salary, Pension and Interest payments consumed 80 *per cent* of revenue receipts. Plan expenditure was only 21 *per cent* of the total expenditure while the capital expenditure formed only 4 *per cent*. Fiscal liabilities of the State stood at 3.2 times of its revenue receipts and its ratio to Gross State Domestic Product had been rising.

Return on the Government's investment in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies was negligible. Against the total budget provision of Rs 32482.97 crore, the expenditure was only Rs 28019.26 crore resulting in overall saving of Rs 4463.71 crore. Major saving occurred in the Grants 'Panchayat', 'Education, Sports, Art and Culture', 'Public Works', 'Water Supply and Sanitation' and 'Pensions and Miscellaneous'.

Tsunami relief and rehabilitation

Tsunami occurred on 26 December 2004, unleashed untold misery along the coasts of many Indian Ocean countries and had a devastating impact on the Kerala coast. The State level Disaster Management Authority formed in August 2003 was not functional. Government had not formulated a Disaster Management Act. The Department of Disaster Management formed immediately after Tsunami could not effectively coordinate the relief activities carried out by various Departments. The basic data relied upon for estimating the losses were not available in the Disaster Management Department or in the test checked offices. The projection of Rs 2371.03 crore for relief and rehabilitation was therefore *ad hoc*, inflated and arbitrary. Government

diverted Rs 11.41 crore from the amount received under Rajiv Gandhi Rehabilitation Package, for meeting the committed liabilities of the Fisheries Department. Out of Rs 13.85 crore released to Matsyafed for disbursement of assistance to fishermen community for losses/damages of craft, out Board Motor, etc., only Rs 11.44 crore were spent and the balance of Rs 2.41 crore was retained by them without utilisation. State Government allotted Rs 13.07 crore, to the Harbour Engineering Department for repair and rectification works of fishing harbours and fish landing centres but the Department spent only Rs 4.63 crore as of March 2006. Out of 4053 houses to be constructed, only 2476 houses were constructed and handed over to the beneficiaries as of March 2006. Rupees 15.77 lakh per month was required for payment of cash dole to the remaining families till they are provided with permanent houses.

Food Security, Subsidy and Management of Foodgrains

The objective of food security policy in India is to ensure availability of foodgrains to the common people at affordable price, focussing essentially on increase in agricultural production and on support price for procurement and maintenance of adequate rice and wheat stock. Identification of Below Poverty Line families under Targeted Public Distribution System was based on IRDP survey of 1992. Due to non-revision of list, omission of eligible families and inclusion of ineligible families in the list of BPL families cannot be ruled out. A quantity of 3.66 lakh MT of foodgrains intended for BPL families lapsed due to non-lifting of foodgrains. There was low off-take of foodgrains by Above Poverty Line families ranging from 0.3 per cent to 4.7 per cent of allotment in respect of rice and from 18.98 per cent to 58 per cent in respect of wheat. Delay in identifying beneficiary families under Antyodaya Anna Yojana resulted in shortfall in providing 54,617 MT of foodgrains costing Rs 16.38 crore to the prospective beneficiaries. Allotment of APL wheat to Kerala State Civil Supplies Corporation Limited for conversion into atta in violation of GOI instructions resulted in unintended subsidy of Rs 6.09 crore. State Government had to bear extra financial commitment of Rs 18.15 crore due to high cost of procurement of paddy against the Minimum Support Price fixed by Government of India. Inspection and monitoring of the system of distribution of foodgrains was also lagging behind in the State.

Conservation of Flagship Species – Tiger including India Eco Development Project in Tiger Reserve

A Centrally sponsored scheme to ensure maintenance of a viable population of tigers in India for scientific, economic, aesthetic, cultural and ecological values and to preserve the species for all times, was launched by Government of India in April 1973. There was no management plan for five years from 1996-97 to 2000-01. Owing to lack of planning/delay in utilisation, Rs 0.44 crore sanctioned by GOI for the Project during 2000-01 to 2005-06 lapsed. The identified wildlife corridors around Periyar Tiger Reserve – Pachakkanam Downton Estate, Goodrickal Range and Meghamalai (Tamil Nadu) were not declared as ecologically fragile by 2004 as envisaged in Environment Protection Act, 1986. Tiger estimation was not done annually. While there was marginal increase in the tiger population outside the protected area, there

was steady decline in the population of tiger within the Reserve which indicates the inadequacy of preventive and protection measures. Proper assessment of causes and impact of fire incidence was not done to take appropriate preventive measures in time. Due to non-formation of 33 Eco-Development Committees against 105 EDCs envisaged, the India Eco-Development Project fund was reduced by Rs 9.86 crore and consequently nearly 2500 families were left unattended.

Sarva Shiksha Abhiyan

Government of India launched (November 2000) the programme of SSA to provide useful and relevant elementary education for all children in the age group of 6 to 14 years by 2010. In Kerala, the implementation of SSA was started in 2002-03. The State did not contribute its committed share of 25 *per cent* resulting in short release of Rs 4.86 crore during 2001-06. Expenditure of Rs 20.20 crore was incurred towards salary of teachers working in Block Resource and Cluster Resource Centres from Sarva Shiksha Abhiyan Funds. There was wide gap between requirement and achievement in providing infrastructure facilities. There was considerable reduction in prescribed number of days of training to teachers, adversely impacting the quality of training imparted. Though a household survey was conducted under SSA, its results were not adopted for preparation of the perspective plans and Annual Work Plan and Budget in the initial years and therefore expenditure of Rs 1.61 crore incurred on the survey was largely infructuous. Assistance of Rs 4.04 crore was disbursed in 2004-05 to 809 schools even though there was no projection of specific requirements or recommendations by the school committees.

Modernisation of Police Forces

The scheme of modernisation of police forces was launched by the GOI for modernising the police forces in the country to enable them to effectively face the emerging challenges to internal security. Annual plans were prepared without proper assessment of needs. Huge amounts transferred to Kerala Police Housing Construction Corporation Limited were lying unutilised mainly due to failure of the department in handing over site. Even the completed residential buildings remained unoccupied due to lack of electricity/water connection. Projects for improving training facilities were not completed. Shortfall in Central assistance to the scheme resulted in additional burden of Rs 27.51 crore on State Exchequer. Intention of increasing the mobility of police forces was defeated by purchase of passenger vehicles worth Rs 3.79 crore instead of light vehicles and also the purchases were mainly for replacement of old vehicles. Speed Check Radar Guns were purchased against the directions of Government and ignoring the lowest quotation, resulting in excess expenditure of Rs 33.22 lakh. Equipment worth Rs 3.42 crore purchased for Regional Forensic Science Laboratory were idling due to failure in providing infrastructure and necessary technical staff in time. Proper monitoring mechanism was absent at the level of Government and Department.

Internal Control System and vigilance mechanism in Fisheries Department

Internal control is an integral process involving management and personnel at all levels to provide reasonable assurance for achievement of objectives. Review of the Internal Control System in Fisheries Department revealed that the control system was very weak and the in-built controls were inadequate. Provisions of Kerala Budget Manual with regard to submission of budget proposals in time and monitoring of expenditure were not adhered to. Budget estimates were submitted late besides being unrealistic resulting in huge savings during 2001-02 to 2004-05. Dues amounting to Rs 5.07 crore were pending recovery on account of cost of boats issued on hire purchase basis. Control lapses regarding conduct of survey of vessels, licensing and patrolling were evident. Selection of beneficiaries of welfare scheme was not foolproof. There was no mechanism to ensure the implementation of welfare schemes as per the guidelines. Interest accrued amounting to Rs 66 lakh though stipulated in the scheme was not disbursed to the beneficiary fishermen. Internal Audit Wing was not functioning except from July 2004 to April 2005, despite instructions of the Government.

Functioning of Text Books Office

The Text Books Office (TBO) is a commercial establishment under the administrative control of the Director of Public Instruction responsible for printing and distribution of text books of standards I to X.

Preparation of *pro forma* accounts of the TBO was in arrears from 1987-88. During the period 2000-05 against the total receipts of Rs 88 crore expenditure incurred was Rs 123.30 crore leaving a revenue gap of Rs 35.30 crore. Failure to conduct proper reconciliation of paper account resulted in non-recovery of Rs 12.10 crore from Government Press/other agencies. TBO incurred loss of Rs 1.13 crore due to under assessment of weight of obsolete books. Failure to initiate purchase procedure for procurement of printing materials in time resulted in extra expenditure of Rs 61.11 lakh. Purchase of paper for manufacturing note books under works experience programme resulted in wasteful expenditure of Rs 2.63 crore.

Audit of Transactions

Besides the above, audit of financial transactions, subjected to test check in various Departments of Government and their field functionaries revealed instances of defalcation/avoidable/wasteful expenditure and other irregularities involving Rs 101.81 crore as mentioned below:

On account of failure of Drawing and Disbursing Officers to exercise checks prescribed in Financial Rules had led to defalcation of Rs 56.28 lakh noticed in one case each in Home Department, Social Welfare Department and Health and Family Welfare Department.

Avoidable/excess expenditures of Rs 28.82 crore were noticed in Water Resources (Rs 2.15 crore), Public Works (Rs 14.54 crore), Agriculture (Rs 0.92 crore), Health and Family Welfare (Rs 10.93 crore) and Tourism (Rs 0.28 crore) Departments. The above cases of avoidable/excess

expenditure included a case of re-assessment of site requirements after award of contracts in respect of two works in Public Works Department in which Government had to incur additional liability of Rs 2.75 crore.

Idle investment/blockage of funds amounting to Rs 19.19 crore were noticed in Health & Family Welfare (Rs 10.17 crore), Water Resources (Rs 2.63 crore), General Education (Rs 1.28 crore) and Tourism (Rs 5.11 crore) Departments. These cases of idle investment included a case of four Tourist Complexes/Yatri Nivas constructed at a cost of Rs 5.11 crore between October 2002 and August 2004 which remained unutilised.

Apart from these, there were regularity issues and other points involving Rs 53.24 crore in Local Self Government (Rs 31.76 crore), General Education (Rs 12.51 crore), Power (Rs 6.51 crore), Health and Family Welfare (Rs 2.19 crore) and Finance (Rs 0.27 crore) Departments.