

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*

GENERAL EDUCATION DEPARTMENT

4.1.1 Misappropriation of Government Money

The Headmistress of a Government Lower Primary School defalcated Rs 2.10 lakh by repeatedly presenting bills relating to claims of teachers/retired teachers.

During the course of Central Audit of vouchers for May-June 2005, it was noticed that a Headmistress, who was the Drawing and Disbursing Officer (DDO) of the Government Lower Primary School, Kanjirappally in Kottayam District withdrew Rs 1.07 lakh from the Treasury by drawing some of the claims two/three times and defalcated the amount thus drawn between April-June 2005. Further scrutiny of the records in the Government primary school, Cheruvally, where the Headmistress was previously working also revealed defalcation of Rs 0.82 lakh made between September 2004 and February 2005. The details are mentioned below:

- Claims relating to arrears of Dearness Allowance (DA), terminal surrender of Earned Leave, its arrear DA etc in respect of two retired headmasters were drawn on different occasions two/three times for a total amount of Rs 0.66 lakh. Further Rs 0.06 lakh was drawn in excess by inflating the pay and DA and thus a total amount of Rs 0.72 lakh was drawn fraudulently.
- The arrear wages of one part time contingent employee was drawn and paid in January 2005. The arrear wages were drawn again in May 2005 and in June 2005. Thus Rs 0.35 lakh was drawn in excess.
- In the salary bills from September 2004 to February 2005 the deduction towards LIC premium of the employees were shown in the office copy of the bills. But the deductions were excluded from the bill copy presented to the Treasury. Salaries were disbursed as per the office copy of the bills and excess amount of Rs 0.07 lakh was defalcated.
- Withdrawals were made from the GPF accounts of the Headmistress (Rs 0.32 lakh) and another Primary Departmental teacher (Rs 0.43 lakh) in September 2004. The withdrawals of Rs 0.75 lakh were manipulated in such a way that there was deliberate attempt to misclassify the advance so that it would not

reflect in the accounts. The claims were preferred in the form prescribed for Kerala Aided School Employees Provident Fund (KASEPF) and the Sub Treasury Officer, Ponkunnam misclassified the vouchers under KASEPF. The sanction order and debit vouchers were not transferred to the Accountant General (A&E) who maintained the GPF account. Further, recoveries of GPF advance at enhanced rates were not effected from the salary of the subscribers.

- Seven bills aggregating to Rs 0.84 lakh relating to three officials were drawn again and presented to the Treasury in August 2005 and September 2005. But the bills could not be encashed due to objection by the Treasury.

Audit noticed that the acquittance roll and cash books were maintained in such a way that the excess amount drawn were shown to have been disbursed to the officials/retired persons concerned. It was also noticed that the arrear bills of the retired Headmasters were drawn with the counter signature of the Senior Superintendent of the office of the Assistant Educational Officer (AEO), Kanjirappally who was the custodian of the service book of the Headmasters and if the bills were scrutinised with the entries in the service books, the fraudulent drawals could have been detected.

The excess/fraudulent withdrawals amounting to Rs 1.89 lakh was brought to the notice of the Deputy Director of Education (DD), Kottayam (November 2005). The DD, Kottayam intimated (June 2007) that a detailed audit of the accounts of the school was conducted and liability fixed for Rs 2.10 lakh on the Headmistress and that she was placed under suspension (July 2006). The Headmistress had remitted the entire amount in August 2006 and March 2007.

The matter was referred to Government in July 2007; reply has not been received (September 2007).

WATER RESOURCES DEPARTMENT

4.1.2 Manipulation of tender documents

Manipulation of tender documents resulted in extra liability of Rs 1.22 crore.

In paragraph 4.6.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005, a case of manipulation of tender documents causing extra liability of Rs 80 lakh in Muvattupuzha Valley Irrigation Project was reported. Subsequent scrutiny of tender documents for 2003-04 and 2004-05 revealed further manipulations in eleven more cases resulting in extra liability of Rs 1.22 crore as shown below:

(Rupees in lakh)

Sl. No.	Name of work	Tendering authority	Irregularity noticed	Amount involved
1.	Construction of Kidangoor Distributary from Ch 4900 m to 6280 m including CD works	SE, Project Circle, Muvattupuzha	The lowest rate of 13.5 per cent above estimate was corrected as 73.5 per cent above. The work was awarded at 35 per cent above estimate.	26.59
2.	Formation of Manjoor Distributary from Ch 0 to 955 m including Regulator etc.	SE, Project Circle, Muvattupuzha	The lowest rate of 17.5 per cent above estimate was corrected as 77.5 per cent above. The work was awarded at 35 per cent above estimate.	21.44
3.	Construction of Kuruvilangad Distributary from Ch 5400 to 6400 m including flume and CD works	SE, Project Circle, Muvattupuzha	The lowest rate of 5.1 per cent above estimate was corrected as 65.1 per cent above. The work was awarded at 14.3 per cent above estimate.	10.32
4.	Construction of Maruthoor Distributary from Ch 0 to 1100 m including open trough and cut and cover	SE, Project Circle, Muvattupuzha	The lowest rate of 1 per cent above estimate was corrected as 59 per cent above. The work was awarded at 35 per cent above estimate.	42.54
5.	Communication facilities – constructing foot bridge at Ch 550 m of Varapetty Distributary	EE, MVIP No.1 Division, Thodupuzha	The lowest rate of 1.5 per cent above estimate was corrected as 100 per cent above. The work was awarded at 60 per cent above estimate.	1.73
6.	Constructing surplus escape at Ch 26556 m of Right Bank Main Canal (RBMC)	EE, MVIP No.1 Division, Thodupuzha	The lowest rate of 36.1 per cent above estimate was corrected as 86.1 per cent above. The work was awarded at 60 per cent above estimate.	2.06
7.	RBMC protection of Canal Bund Road Ch 12200 m and 12485 m including construction of drain	EE, MVIP No.1 Division, Thodupuzha	The work to be done at estimate rate was corrected as 80 per cent above estimate. The work was awarded at 60 per cent above estimate.	4.04
8.	Head regulator of Naduvakkad Distributary	EE, MVIP No.1 Division, Thodupuzha	The lowest rate of 5 per cent above estimate was corrected as 95 per cent above. The work was awarded at 65 per cent above estimate.	3.51
9.	Land slide protection works to upstream side of Arakkulam bridge	EE, MVIP No.1 Division, Thodupuzha	The lowest rate of 9 per cent above estimate was corrected as 90 per cent above. The work was awarded at 59 per cent above estimate.	4.18
10.	Left Bank Main Canal – improvements to Mullamkuzhi Periyappuram Link road	EE, MVIP No.2 Koothattukulam	The lowest rate of 33 per cent above estimate was corrected as 83 per cent above. The work was awarded at 60 per cent above estimate.	3.17
11.	Constructing Chelapuzhathazham Keramala road communication link to Palakuzha Distributary from Ch 0 to 1870 m before lift	EE, MVIP No.2 Koothattukulam	The lowest rate of 5 per cent above estimate was corrected as 50 per cent above. The work was awarded at 50 per cent above estimate.	2.67
	Total			122.25

In these cases there was strong indication of manipulation of the rates like overwriting, insertion, scoring, corrections, difference between rates quoted in words and figures, etc., pointing towards attempts to favour individual contractors. As the open tender process was manipulated, involvement of departmental officers needs to be looked into.

Reckoning the lowest rates offered by contractors in the above eleven cases, awarding the works at above estimate rates resulted in extra liability of Rs 1.22 crore.

The matter was referred to Government in June 2007; reply has not been received (September 2007).

4.1.3 Loss due to inclusion of provision for issue of materials at lower rates

Issue of cement and steel at lower rates, in contravention to the tender conditions, entailed additional liability of Rs 41.38 lakh on the department

A contract entered into in May 1996 for 'Construction of Onakkoor Distributary of Muvattupuzha Valley Irrigation Project from chainage 0m to 5,200m including cross drainage works (Balance work)' was terminated (March 2002) at the risk and cost of the contractor as the contractor had not turned up to complete the work even during the extended period. The Superintending Engineer, Project Circle, Muvattupuzha (SE) invited fresh tenders for the remaining portion of the work in November 2002. The lowest offer of Rs 3.65 crore at 35 *per cent* above estimate was accepted and site handed over (July 2006) with a period of 12 months for completion.

As per the revised orders of delegation of financial powers, the Superintending Engineer could give technical sanction for works estimated to cost Rs 45 lakh only. According to Clause 28 of the form of Notice Inviting Tenders, in the case of works for which the estimated cost exceeded the powers of the Superintending Engineer for granting technical sanction, cement and steel would not be supplied to the contractor departmentally and the items had to be procured from open market. However, the 'Memorandum of materials to be supplied to the contractors departmentally', which was part of the tender documents, provided for supply of cement and steel at the estimate rates of Rs 3,000 per tonne and Rs 1,500 per quintal respectively. When the contradiction in the tender documents regarding issue of materials departmentally was brought to notice, the SE held (December 2006) that materials were proposed to be supplied departmentally to fix the risk and cost liability of the original contractor as the original agreement provided for departmental supply. But it was noticed in audit that the department fixed the liability of the original contractor at Rs 1.28 crore (May 2007) without reckoning the market rate (cement – Rs 3,640 per tonne, steel – Rs 2,800 per quintal) of the departmentally supplied items, resulting in a loss of Rs 41.38 lakh.

Government was not bound to share additional liability of the work terminated at the risk and cost of the contractor. By agreeing to issue cement and steel departmentally at lower rates, the department had to bear an extra liability of Rs 41.38 lakh, being the cost difference between issue rates and market rates.

The matter was referred to Government in June 2007; reply has not been received (September 2007).

WATER RESOURCES/PUBLIC WORKS DEPARTMENT**4.1.4 Loss due to vitiation of tender procedure**

Government sustained loss of Rs 2.42 crore on account of participants in tenders colluding among themselves and quoting non-competitive rates.

Government have prescribed open tender system for allotting departmental works with the intention to execute the works effectively and timely on the basis of competitive offers. This objective could not, however, be achieved in the following cases where the participants in the tender colluded among themselves and quoted non-competitive rates.

A scrutiny of the records of Irrigation Division, Chittur and Roads Division of Public Works Department, Kannur revealed acceptance of non-competitive offers resulting in an estimated extra liability to Government amounting to Rs 2.42 crore as shown below:

Division and Year	Total cases	No. of tender documents sold	No. of cases where only two offers received	Rate quoted	No. of cases where more than two offers received	Rate quoted	Estimated extra liability to Government
Irrigation Division, Chittur 2003-04 and 2004-05	101	5 to 29	48	35 to 65 per cent above	53	Below 31.1 to above 7 per cent	Rs 1.25 crore
PWD Roads Division, Kannur 2004-05 and 2005-06	74	20 to 92	40	35 per cent above	34	8.5 to 32.1 per cent below	Rs 1.17 crore

The fact that only two offers were received against the sale of five to 29 or 20 to 92 tender documents in the former cases indicated collusion among contractors before quoting their rates. It was also noticed in Audit that identical works were undertaken by the contractors at much lower rates when there were three or more offers.

The Department Manual stipulates blacklisting of contractors who fail repeatedly three times to submit tender after buying tender documents. Even though Government admitted (March 2006) the audit findings in respect of Irrigation Division, Chittur and directed Chief Engineers to be more vigilant against collusion among contractors, no action was taken against the erring contractors.

The matter was referred to Government in June 2007; reply has not been received (September 2007).

4.2 Infertuous/wasteful expenditure and overpayment

PUBLIC WORKS DEPARTMENT

4.2.1 Wasteful expenditure due to procedural delay in accepting tenders

Lapses in accepting tenders and failure to intimate their acceptance to the contractors within the validity period entailed wasteful expenditure of Rs 31.46 lakh.

The Kerala Financial Code, *inter alia*, provides that every Government servant who incurs expenditure from public funds should ensure compliance with the standards of financial propriety and that the expenditure is not *prima facie* more than the occasion demands. The Public Accounts Committee had also urged (February 2003) the Government to revamp the set up in the offices of the Chief Engineers in Public Works Department to reduce the administrative delays and lapses in communicating the acceptance of tenders. Test check of the records of the Executive Engineer, Roads Division, Alappuzha revealed (July 2005) the following:

The Superintending Engineer, Roads and Bridges, South Circle, Thiruvananthapuram invited (November 2002) separate tenders for providing junghar service at Pulinkunnu and Thakazhi ferries for the period from 1 February 2003 to 31 March 2004. The lowest offers received for Pulinkunnu and Thakazhi were 69 *per cent* and 74 *per cent* respectively above estimate of Rs 2,768 per day. The rates were far below the then existing rate of 140 *per cent* above estimate of Rs 2,768 per day. Even then department did not take any action till the expiry of the firm period (May 2003) to award the work. Later, in anticipation of Government sanction the Executive Engineer issued the work orders only on 8 August 2003.

The contractor of Pulinkunnu ferry accepted the offer and signed the agreement in November 2003. Payment to the contractor from 8 August 2003 was also regulated in accordance with the new rate. The delay in acceptance of new rate resulted in wasteful expenditure of Rs 3.69 lakh for the period 1 February 2003 to 7 August 2003.

The contractor of Thakazhi ferry was prepared to accept the offer only if the period of contract was extended up to 31 March 2005. As there was no response from the department, he withdrew (February 2004) this offer. The work order was issued by the Department on 3 April 2004, but the contractor did not accept the same. Work orders in the above cases could have been issued earlier in anticipation of the approval of Government as was done in August 2003, giving due cognizance to the financial interests of the Government.

As junghar service at Thakazhi could not be arranged through re-tender, for uninterrupted ferry service, the department had to depend on the previous contractor whose rate was 140 *per cent* above estimate. As of March 2007 the same contractor was providing junghar service at Thakazhi at the old rate of

140 *per cent* above estimate whereas at Pulinkunnu the new contractor was providing the service at the new rate of 69 *per cent* above estimate. Had the beneficial offer of 74 *per cent* above estimate been accepted in time, wasteful expenditure of Rs 27.77 lakh (February 2003 to March 2007) could have been avoided in the case of Thakazhi ferry.

Failure of the department in safeguarding the financial interests of Government thus resulted in wasteful expenditure of Rs 31.46 lakh.

The matter was referred to Government in May 2007; reply has not been received (September 2007).

REVENUE DEPARTMENT/ TAXES DEPARTMENT

4.2.2 Infructuous expenditure on preparation of fair value of land

Failure of the Government to evolve a realistic and pragmatic procedure in the fixation of fair value of land resulted in cancellation of the notification and the expenditure of Rs 67.90 lakh for the preparation of the data became infructuous.

In pursuance of the Government decision to notify fair value of land for the purpose of levying stamp duty in the State, Government decided (December 2001) to constitute Village/ Taluk Level Committees and specified the procedure to be followed by the Committees and the Revenue Divisional Officers (RDOs). In the conference of the RDOs with the Minister for Registration and the Minister for Revenue it was decided (March 2003) to complete the procedure for fixation of fair value of land and publication of the notification by June 2003. Government sanctioned an amount Rs 1.20 crore for the work of preparation of Fair Value Register showing the details of fair value of land. Inspector General of Registration under the Taxes Department allotted funds to the District Registrars in all the Districts to reallocate necessary funds to the RDOs. In January 2004 Gazette notifications were issued by the RDOs fixing fair value of land. RDOs incurred an expenditure of Rs 67.90 lakh towards the preparation of fair value of land.

But in the wake of widespread complaints received from the public, Government decided (February 2004) to withdraw the Gazette notifications and ordered the RDOs to publish the draft Fair Value Notification with a view to provide an opportunity for the public to file objections. RDOs published (February 2004) the same fair values as fresh notifications and invited suggestions from the public. But there was no follow up action.

Government later decided (October 2006) to restart the fixation of fair value of land in a systematic manner free from mistakes and amended the Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995 and issued notification as Kerala Stamp (Fixation of Fair Value of Land) Amendment Rules, 2006. It was decided to classify the lands into 15 categories as against two categories in the fixation of fair value made in 2003-04. The Commissioner, Land

Revenue requested (March 2007) Government to allot Rs 1.78 crore for completing the work. Further developments are awaited.

The fixation of fair values according to the new categorization required determination of fair values afresh and the data already collected became obsolete. Thus due to failure of Government to evolve a realistic and pragmatic procedure in the fixation of fair value already made in 2003-04 led to cancellation of the notification and the expenditure of Rs 67.90 lakh incurred for the preparation of data became infructuous.

Government admitted (July 2007) that there were lot of complaints, litigation, Court order etc., as the process for the notification published in January 2004 was taken up in a hasty manner and lacked transparency. Government also stated that efforts were being made to finalise the process in a systematic and time bound manner without any major defects and it was expected to receive more revenue by way of stamp duty every year, which would make up many times over the amount already spent for fixation of fair value of land in 2004.

FISHERIES AND PORTS DEPARTMENT

4.2.3 Loss on import of outboard motors

Matsyafed entered into an MoU with an intermediary of a foreign supplier for import of outboard motors without proper verification which resulted in a loss of Rs 34.37 lakh by way of commitment charges paid.

Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) had been importing outboard motors (OBM) and spare parts from M/s Suzuki Motor Corporation (SMC), Japan through M/s Hydra Impex Private Limited (M/s Hydra Ltd), Chennai who claimed to be the sole agent of SMC in India. For the supplies during 2001-02 Matsyafed had executed a memorandum of understanding (MoU) with M/s Hydra Ltd in August 2001. According to the MoU, Matsyafed had to pay commitment charges at 7,500/12,500* Japanese Yen per unit in addition to the Free on Board (FoB) price.

It was noticed that the MoU executed for earlier periods did not contain provision for payment of commitment charges. Matsyafed had paid an amount of Rs 34.37 lakh to M/s Hydra Ltd. towards commitment charges during 2001 and 2002 for the import of OBMs. As M/s Hydra Ltd. failed to fulfill the obligations and did not deliver 150 numbers of 25 HP OBMs for which commitment charges were paid, Matsyafed took up (November 2002) the issue with SMC and requested them to direct M/s Hydra Ltd. to settle the claims. SMC, however, clarified that M/s Hydra Ltd. was just an intermediary acting on its sole responsibility and was not an agent of SMC and that they had never asked M/s Hydra Ltd. to collect commitment charges from Matsyafed. This would indicate that the provision for payment of commitment charges was newly included in the MoU by M/s Hydra Ltd. without consulting

* 7,500 Japanese Yen for supplies from November 2001; 12,500 Japanese Yen from April 2002.

SMC. This resulted in a loss of Rs 34.37 lakh being the commitment charges paid to M/s Hydra Ltd. The attempts made by Matsyafed to proceed legally against M/s Hydra Ltd. to realize the amount also did not succeed as the whereabouts of M/s Hydra Ltd. could not be ascertained (February 2007).

Thus, the action of Matsyafed in entering into MoU with M/s Hydra Ltd., without verifying the firm's status with SMC resulted in a loss of Rs 34.37 lakh.

Government stated (August 2007) that since SMC was the principal company and M/s Hydra Ltd. was their country agent the company was responsible for the actions of the agent and as imports from SMC were still continuing there was room for settlement of pending issues. Government added that as the commitment charges were fully recovered from the beneficiaries there was no loss to Matsyafed. The reply of Government is not tenable as SMC had clarified that M/s Hydra Ltd. was just an intermediary acting on its sole responsibility and they would not be responsible for any transactions or agreements made between Matsyafed and M/s Hydra Ltd.

4.3 Avoidable/Extra/Unfruitful expenditure

CULTURAL AFFAIRS DEPARTMENT

4.3.1 Avoidable expenditure on payment of High Tension charges

Avoidable expenditure of Rs 24.56 lakh on High Tension Electricity charges from May 2002 to May 2007 as the Archives department failed to execute new agreement with Kerala State Electricity Board for reducing the contract demand. The department also incurred wasteful expenditure of Rs 16.75 lakh on purchase of a Diesel Generator set.

Mention was made in paragraph 3.6 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 (Civil) about the delay in operating the centralized Air Conditioning (AC) plant installed (1991) in the State Archives Building, Thiruvananthapuram at the cost of Rs 27.49 lakh and the expenditure of Rs 1.17 lakh for repair of the plant and avoidable expenditure of Rs 2.71 lakh on energy charges. The Public Accounts Committee (2004-06) in its seventy first Report (July 2004) accepted the reply of the Department that the AC Plant was functioning after entering into annual maintenance contract with a private firm through the Electrical wing of the Public Works Department (PWD).

Further scrutiny (September 2006) of the records of the Directorate of State Archives revealed that the agency entrusted with the operation of the plant backed out (April 2002) due to non-payment of the contract amount in time. The AC Plant got damaged subsequently and the Department did not take any action to repair and make the Plant operational though PWD had prepared an estimate of Rs 28 lakh for repair works. Meanwhile, Government engaged INTACH, a non-Governmental organization, for making recommendations for the preservation of manuscripts. Based on their report, the Archives

Department decided (January 2005) that providing proper ventilation and split AC environment would be better for the preservation of the valuable documents, than the existing centralized AC system which was not functioning. The Department also proposed condemning the existing centralized AC system.

Following points were noticed in Audit:

- The AC plant could be utilised only for seven years i.e., from January 1995 to April 2002 as against average life of 15 years.
- A Diesel Generator (DG) set was procured in January 2001 at a cost of Rs 16.75 lakh for the operation of the plant during low voltage and power failure. The DG set was never put to use as the Department had no technician to operate the set even when the plant was in operating condition up to April 2002. The DG set also got damaged due to its long idling.
- The Archives building had High Tension (HT) power connection for 250 Kilo Volt- Ampere (KVA) per month since the installation of the AC Plant. According to the Extra High Tension Tariff notifications issued by the Government, the billing demand would be at the recorded maximum of demand for the month in KVA or 75 per cent of contract demand or 50 KVA whichever is higher. Kerala State Electricity Board (KSEB) was charging demand charges based on the contract demand of 250 KVA per month. The Department was paying demand charges of Rs 37,600 per month up to October 2002 (at the rate of Rs 200/ KVA) and Rs 56,400 per month thereafter (at the rate of Rs 300/ KVA) even though the AC Plant was not in operation from April 2002. The energy consumption of the Archives Building after the shutdown of the AC Plant was less than 50 KVA per month and therefore the Department should have executed a new agreement with KSEB for reducing the contract demand from 250 KVA to 50 KVA. The avoidable expenditure from May 2002 to May 2007 on this account worked out to Rs 24.56 lakh.

The AC plant was not condemned as of April 2007. As the Department has not taken alternate measures for preserving the documents kept in the archives, the valuable documents are susceptible to deterioration. The failure of the Department to take timely action resulted in avoidable payment of Rs 24.56 lakh to KSEB (up to May 2007) and in addition Rs 16.75 lakh spent on procuring the DG set have been wasted.

Government stated (July 2007) that when the AC plant was shut down, the Archives Department requested KSEB to take necessary steps to alter HT into LT connection. But it was noticed in Audit that the Department took up the matter with KSEB only in August 2006, after it was pointed out by Audit. The Department is continuing payment of electricity charges at the maximum rate every month without executing fresh agreement with KSEB for reducing the contract demand from 250 KVA to 50 KVA. Further, the Department had not taken steps for assessing the requirement of power for deciding the nature of connection HT or LT, actually required when split AC system is introduced.

HIGHER EDUCATION DEPARTMENT

4.3.2 Unfruitful expenditure on a Senate hall/auditorium

Abandonment of work midway resulted in the expenditure of Rs 67.88 lakh incurred on it unfruitful.

Mahatma Gandhi University awarded (February 1998) the work of construction of a Senate hall/auditorium in the University campus to a firm of contractors for an agreed amount of Rs 3.19 crore, at 65 *per cent* above the estimated cost. The agreement executed (August 1998) with the firm provided for completion of the work within 20 months, which was subsequently extended by six months up to October 2000.

Audit scrutiny revealed that after the commencement of the work the site was changed based on the directions of the Vice Chancellor. The larger gradient of the new site necessitated about 100 *per cent* increase in quantities of major items by doubling the height of the cellar portion below the auditorium. When the structure of the cellar portion was nearing completion the work was stopped abruptly in November 2000, after incurring an expenditure of Rs 67.88 lakh. No reasons were on record for the stoppage of work and the work was still in an abandoned stage (February 2007).

It was also noticed that 3,450 kg of cement and 16,046 kg of steel valued at Rs 4.79 lakh supplied to the contractors was still in their custody for over six years. There were huge variations in the quantities of materials issued to the contractor as per entries in the office copies of the bills and the materials at site account. The University Engineer attributed this huge variation to the failure to carry out the corrections in the office copy of the bills made out at the time of passing of bills with reference to the materials at site account. This is a serious lapse which gives scope for misappropriation.

Thus, the action of the University authorities in abandoning the work of construction of senate hall/auditorium midway rendered the expenditure of Rs 67.88 lakh incurred on it unfruitful.

Government stated (June 2007) that the work was stopped due to paucity of funds and the cost of balance materials would be recovered from the security deposit and retention amount of the contractor.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.3 Undue benefit to Co-operative Societies

Government allowed higher rates than that contemplated in the terms of contract for supply of articles without any justification. Payment beyond the terms of contract resulted in undue benefit of Rs 88 lakh to two Societies.

In relaxation of Store Purchase Rules, Government had entrusted the supply of dietary and allied articles (articles) for the three Leprosy Sanatoriums at Nooranad, Koratty and Chevayoor with the Patients' Co-operative Societies (Society) run by cured leprosy patients of the respective hospitals without inviting tenders. The prices of articles were to be regulated on the basis of the rates reported by the Bureau of Economics and Statistics (Bureau). In paragraph 3.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil), excess payment of Rs 21 lakh* made to the Society at Chevayoor on account of adoption of higher rate than that reported by the Bureau was mentioned. Further Audit scrutiny revealed similar excess payment of Rs 88 lakh to two Societies at Koratty and Nooranad. The details are given below:

Government entrusted (June 1997) the supply of articles for a period of five years from April 1997 to three Societies subject to the condition that the Societies should not claim the prices of articles higher than that reported by the Bureau. During the course of supply, the Societies repeatedly demanded prices higher than the Bureau rates and the Government directed (July 2002) the Director of Health Services to resort to open tender system for supply of articles with effect from April 2003. The Societies thereupon requested the Government to restore the earlier mode of procurement through the Societies. Government after considering the request of the societies, ordered (January 2003) to restore procurement through the Societies.

The Societies at Koratty and Nooranad again represented for 50 per cent increase over the Bureau rates. Government sanctioned (July 2005/January 2006) 35 per cent increase over the Bureau rates for the supplies already made. The demand of the Society at Chevayoor (June 2006) for 35 per cent enhancement was not sanctioned by Government as the Superintendent of the hospital did not recommend any enhancement. The Superintendent of the hospital, Koratty disbursed Rs 53.93 lakh for the claims from April 1997 to March 2004 and the Superintendent at Nooranad disbursed Rs 34.21 lakh for the claims from April 2000 to May 2004 in excess of the Bureau rates.

Government had not cited any justification for the enhancement of the rates beyond the terms of contract. As the rates reported by the Bureau represented actual market rates, payment of Rs 88.14 lakh to the Societies was tantamount to undue benefit to the Societies.

* at the rate of 25 per cent for the period from 1983-84 to 1990-91 : Rs 4.32 lakh
at the rate of 35 per cent for the period from 1991-92 to 1996-97 : Rs 16.68 lakh

The matter was referred to Government in May 2007; reply has not been received (September 2007).

PUBLIC WORKS DEPARTMENT

4.3.4 Avoidable expenditure on engaging outside consultants

While the Roads Divisions in the State have facilities exclusively for investigation and preparation of project reports, Kerala Road Fund Board entrusted the work to outside consultants, resulting in an avoidable expenditure of Rs 4.37 crore.

The Kerala Road Fund Act 2001, envisaged creation of Kerala Road Fund Board (KRFB) for attracting private sector participation in transport facility projects. The source of revenue for the KRFB was (i) allocation from Central Road Fund (ii) ten *per cent* tax collected during the previous years under Kerala Motor Vehicle Taxation Act 1976 (iii) all fees, fines and other amounts collected by Government under Kerala Highway Protection Act 1999 and (iv) all amounts standing to the credit of Bridges Fund established under Kerala Toll Act 1977.

A scrutiny of the records of the Board revealed that an expenditure of Rs 4.37 crore was incurred by the Board towards consultancy works for the preparation of Project Reports for the improvement of eleven existing PWD roads. These works were arranged without inviting tenders, on the basis of offers received from a selected group of consultants. The actual improvement of works were also carried out by the respective Road Divisions without any participation from private agencies though it was envisaged in the Act. Though nine Roads Divisions in the State have Sub Divisions exclusively for the work of investigation and project preparation, these Sub Divisions were not contacted before awarding the works to outside consultants. If the work of investigation and preparation of project reports were entrusted to these Sub divisions, there would not have been any necessity to award the consultancy work to outside agencies. These works were normal investigation works and PWD Divisions were capable of executing them. Moreover, the consultancy studies were arranged without any request from execution divisions. The expenditure of Rs 4.37 crore was therefore avoidable.

Government's contention (August 2007) that PWD was ill-equipped to prepare standard Project Reports and that the men and machinery available was inadequate is not tenable. PWD itself has undertaken consultancy study for Kerala Road Fund Board in several works, prepared Project Reports and got sanction from Ministry of Road Transport and Highways, making it evident that PWD was competent to carry out these studies and that no attempt was made to utilize the departmental facilities.

4.3.5 Avoidable extra liability due to arrangement of work without a realistic estimate

Arrangement of improvement of a road in Thiruvananthapuram without a realistic estimate led to subsequent revision of estimate and contract amount entailing avoidable extra liability of Rs 96.41 lakh.

The Ministry of Road Transport and Highways (MORTH) issued (February 2004) administrative sanction for Rs 7.50 crore for the improvement and strengthening of the weak pavement of Karamana – Poojappura – Malayinkeezhu – Kattakkada – Mandapathinkadavu Road in Thiruvananthapuram District. The work was awarded (October 2004) to a contractor for Rs 5.13 crore. The period of completion was 24 months from the date of issue of work order (November 2004). As of January 2007, the work was in progress and expenditure incurred up to June 2007 amounted to Rupees three crore. Test check (July 2005) of the records of the work in National Highway Division, Thiruvananthapuram revealed the following:

The original estimate provided for minimum carriageway of 5.5 metre width. Later, considering the heavy vehicular traffic in the route, it was decided (May 2005) to increase the minimum carriageway to seven metre width. The Chief Engineers of Roads and Bridges and National Highways and other officers of the department inspected the road and placed revised proposals for improvement and accordingly, six extra/additional items involving expenditure liability of Rs 4.01 crore were included in the estimate, revising the contract amount to Rs 9.14 crore.

As per the agreement the contractor was liable to execute only 125 *per cent* of the quantities in the estimate at his agreed rates, and the quantities in excess of 125 *per cent* of the agreed quantity and extra items at negotiated rates. Quantities of four items of work exceeded the above limit and two items were substituted. Arrangement of execution of additional quantities at negotiated higher rates resulted in extra liability of Rs 96.41 lakh over the agreed rates in the original agreement.

Revision of contract from Rs 5.13 crore to Rs 9.14 crore within six months from commencement of work showed that the very purpose of preparing a realistic estimate before awarding the work was not served in this case. Tender procedure also stood vitiated, as work costing Rs 4.01 crore did not come under its purview.

Government stated (June 2007) that the additional works were executed in public interest and a revised estimate amounting to Rs 8.25 crore would be prepared so as to limit the excess within the permissible limit of 10 *per cent* of the amount of Administrative Sanction. This reply is not sustainable as the original estimate should have been prepared as realistically as possible taking all aspects into consideration and after proper interaction with all concerned. Failure in this regard led to execution of additional quantities at negotiated rates vitiating tender procedure. Arrangement of additional works in the above manner without proper planning was not in the best financial interest of

the Government in view of the heavy pendency of unpaid bills of the contractors.

LOCAL SELF GOVERNMENT DEPARTMENT

4.3.6 Extra expenditure due to delay in execution of a project

Lack of planning and administrative inefficiency of TRIDA delayed the completion of a major project causing unnecessary financial burden and consequent idling of the project.

Thiruvananthapuram Development Authority (TRIDA) awarded (March 1995) the work of construction of Sanjeevani multi-storied residential apartments comprising 52 flats (project cost: Rs 3.60 crore) near Medical College, Thiruvananthapuram to a contractor firm for an agreed amount of contract of Rs 2.97 crore, at 50 *per cent* above the estimated amount of Rs 2.16 crore. The work was to be completed within 30 months i.e., by 30 September 1997.

After the commencement of the work in March 1995, it had to be stopped for five months during November 1995-April 1996 on the orders of the Honourable High Court in a land acquisition case. As requested by the contractor the time of completion of the work was extended up to 31 January 1998. On account of delay in making departmental supply of materials and timely payments to the contractor, due to financial difficulties, the work did not progress as scheduled. After executing work costing Rs 1.10 crore, the contractor stopped work and demanded (November 1997) enhancement of 63 *per cent* over the agreed rates for the balance work. Though, based on the decision (April 1998) of the TRIDA, Government directed (October 1999) to terminate the contract, TRIDA asked (October 1999) the contractor to complete the work, on the plea that terminating the contract and retendering would cause more financial loss. After resuming the work the contractor again demanded (November 1999) enhancement of rates. TRIDA recommended (December 1999) enhancement of 55 *per cent* above the agreed rates for the balance works which was agreed to (February 2000) by Government on the condition that the project should be completed in a given time frame. Accordingly a supplemental agreement was executed (March 2000) with a detailed bar chart programme to complete the work by 31 December 2000.

It was noticed in audit that the work dragged on further and the project could be completed by December 2004 only and the keys of the 52 flats were handed over to TRIDA only in August 2005. The contractor had been paid Rs 3.74 crore, including Rs 1.07 crore towards 55 *per cent* enhancement; final payment had not been made. It was also noticed that TRIDA had availed a loan of Rupees five crore towards/after the close of the extended period of contract for financing the project leading to an interest liability of Rs 3.19 crore as of March 2007. The total expenditure incurred on the construction of the project was Rs 6.08 crore.

It is observed in audit that enhanced rates were agreed to on the condition of time bound completion of the project, but the time frame prescribed was not adhered to though the payment was made at enhanced rates. Lack of planning and administrative inefficiency of TRIDA delayed the completion of a project for about ten years inflicting additional financial burden on TRIDA as the project estimated to cost Rs 3.60 crore could be completed only after incurring an expenditure of Rs 6.08 crore besides an interest liability of Rs 3.19 crore. Further, only seven out of 52 flats had been booked (January 2007).

Government stated (August 2007) that the delay in completion of the project was due to land acquisition cases and procedures related to execution of civil works and that earnest efforts were being made for the sale of flats. The reply is not tenable as the work was held up for five months only due to land acquisition case and only seven out of 52 flats had been booked for sale so far.

WATER RESOURCES DEPARTMENT

4.3.7 Avoidable expenditure on conveyance of surplus earth

During the construction of a canal, conveyance of 98,348 m³ of excavated soil which was not envisaged in the original proposal was included resulting in extra liability of Rs 82 lakh.

The Palakapandy Diversion Scheme envisaged construction of weirs at Palakapandy, Pathipara and Sukriyar streams in order to divert water to Chulliyar Reservoir. The scheme also included construction of canal for a length of four kilometre (km) in order to carry the diverted water to the reservoir.

Government accorded (April 2004) Administrative Sanction for the project at an estimated cost of Rs 9.10 crore. The work was split up into four reaches. The work on the fourth reach, 'Construction of canal from chainage 2/520 km to 3/930 km including cross drainage works', was awarded (October 2005) to a contractor for Rs 2.74 crore at 10 *per cent* above estimate rate with nine months for completion. The work included cutting of 2,00,960 m³ of earth (1,66,000 m³), medium rock (4,860 m³) and hard rock (30,100 m³), and the entire quantity of earth and medium rock (1,70,860 m³) was proposed for embankment filling. During execution, the cutting slope was reduced and thus the excavated quantity was reduced to 1,44,643 m³. In the revised estimate approved (July 2006) by Chief Engineer, Project I, Kozhikode, 98,348 m³ of earth was proposed to be conveyed by the contractor due to restricted land width, after payment of conveyance charges of Rs 82 lakh. The work is nearing completion and a sum of Rs 80.78 lakh was paid so far (May 2007) as conveyance charges.

Audit scrutiny revealed that land acquisition width of canal was 30m whereas top width of canal was 6.8m only and there was enough space (23.2m) for filling the cut earth. The Executive Engineer, Irrigation Division, Chittur stated (April 2007) that there would be further reduction in land width available for filling as an inspection road of 3.5m width and a side berm of

two metres was to be provided. But the earth filled embankment was proposed to be utilized as inspection road and side berm and there was no provision for a separate inspection road and side berm. The original proposal did not envisage any transportation of excavated soil. Since there was considerable reduction (28 *per cent*) in the excavated quantity of soil and no change in the site condition, decision of the department to pay conveyance charges on the plea of restricted land width has no justification. The unnecessary deviation from the original proposal resulted in an extra liability of Rs 82 lakh to the department.

Government stated (July 2007) that the available land width for filling would be reduced on account of provision for one metre stepping for each three metre height of excavation. It was also stated that the site of the work was very remote and vehicle access not possible. This reply is not tenable as there was reduction in slope of excavation, resulting in reduction in quantity of excavated earth. Further, even though the site is said to be non-motorable, the contractor was able to transport 96,755 m³ of cut earth.

4.3.8 Extra liability due to improper execution of work

Unnecessary increase in slope of excavation and deviation from the approved design increased the cost of a work by Rs 1.45 crore.

The Superintending Engineer, Project Circle, Muvattupuzha awarded (February 1993) the work of 'Constructing Right Bank Main Canal from chainage 14,000m to 14,800m' of Muvattupuzha Valley Irrigation Project to a contractor for Rs 92.54 lakh. As per the conditions of agreement, the work was to be completed by March 1995. As against a total quantity of 23,470 m³ of rock blasting provided in the agreement, the contractor executed 38,187 m³ and expressed his unwillingness to proceed further with the work as he had executed more than 125 *per cent* of the agreed quantity. The work was therefore terminated (July 1996) without the risk and cost of the contractor and final bill of Rs 84.75 lakh paid (March 1998).

The balance work incorporating rock blasting of 16,987 m³ was re-arranged in May 2002 for Rs 90.50 lakh. The Chief Engineer, Projects II sanctioned (October 2003) a revised estimate for the work amounting to Rs 162.72 lakh. The cost of balance work as per the revised estimate worked out to Rs 122.05 lakh (after deducting tender savings of 24.99 *per cent*). In the revised estimate two cut and cover for a length of 40 m each were included. The above canal crosses the Thodupuzha – Onnukal Road and in the original agreement there was a provision for constructing a skew bridge*. Although agreement was executed in May 2002, permission for cutting the road was sought only in December 2003. The Executive Engineer, KSTP Division, Muvattupuzha reported that as the road was improved under World Bank assisted scheme only recently, there was a directive from Government not to give any such permission. It was also stated that if sufficient notice was given the above stretch of road could have been left out without any improvement. However,

* A bridge not at right angles to the axis of the canal

permission was given in April 2004, but department had to remit Rs 16.82 lakh as restoration charges.

While the contractor was executing the canal work, another work in the same reach, viz., 'Protective work to Right Bank Main Canal from chainage 14,000m to 14,800m' was also awarded to the same contractor for Rs 50.91 lakh. The work included construction of two more cut and cover and a footbridge. While the tender percentage of the balance work was 24.99 *per cent* below estimate, the additional work was awarded at 35 *per cent* above estimate. If the additional work had been included in the estimate of balance work or in the revised estimate of the work, it could have been executed at a tender rebate of 24.99 *per cent*. The estimated loss on account of awarding the work at higher rate worked out to Rs 14.33 lakh.

The experts of the Central Water Commission, after a visit to the site opined (June 2005), that the canal work between chainage 14,000m to 14,800m was extravagant in its design and execution. The work was executed in fairly hard rock strata where the slope of excavation was increased considerably leading to heavy increase in quantities of concreting and other related items. According to them the entire work needed a complete review. However, no such study was conducted.

Audit scrutiny revealed that the quantity of rock blasting increased from 23,470 m³ to 55,174 m³ due to unnecessary increase in slope of excavation. The first contract was terminated only due to exorbitant increase in quantity of rock blasting which could have been avoided if proper care was taken for not increasing the slope of excavation. In the design approved by Chief Engineer, Investigation, Design and Research Board (IDRB), there was no provision for construction of cut and cover. However, five numbers of cut and cover (including conversion of one skew bridge to cut and cover) were additionally included without obtaining sanction from Chief Engineer IDRB. Thus there was extra liability of Rs 1.45 crore due to unnecessary increase in the slope of excavation, delay in seeking permission for cutting the road and awarding of additional items disregarding the approved design. The work commenced in February 1993 was not completed so far (March 2007).

The matter was referred to Government in May 2007; reply has not been received (September 2007).

4.4 Idle investment/Idle establishment/Blockage of funds

GENERAL EDUCATION (SPORTS AND YOUTH AFFAIRS) DEPARTMENT

4.4.1 Inordinate delay in implementing a project

Failure of Kerala State Sports Council to select a consultant who had adequate expertise and experience and lack of planning and monitoring resulted in non-completion of a project sanctioned a decade ago rendering the expenditure of Rs 5.45 crore spent on it unproductive and depriving the athletes and players of the intended benefits.

Government accorded administrative sanction (March 1995) for the establishment of a High Altitude Training Centre at Munnar for training and improving the performance skills and capabilities of athletes and players. The project estimated to cost Rs 7.25 crore was to be implemented by the Kerala State Sports Council (KSSC). The main components of the project involved construction of stadium, bituminous road, culvert, drains, pavements with kerbs, indoor stadium, hostel complex for boys and girls, etc. The KSSC appointed (August 1996) a firm of private architects as consultants to design and supervise the project. Technical sanction for the project was issued in January 2001. The work was entrusted (February 2001) to a firm at an agreed contract value of Rs 4.31 crore to be completed in 15 months.

Audit scrutiny revealed that after the award of the work certain items in the schedule of works were deleted and major items like sanitary works, electrical installation, construction of septic tank, etc., were included. This indicated that requirements of the project were not assessed properly and the schedule of works was prepared without due care to suit the requirements. As the consultant failed to furnish the drawings and specifications in time and did not render their services as provided in the agreement their consultancy was terminated and another private agency was appointed (May 2003) as consultants. Since they also could not manage the work on the project they withdrew (March 2005) from consultancy. Subsequently, Kerala State Housing Board (KSHB), a State autonomous body was appointed (February 2006) as consultant. It was noticed that the complete structural drawings and design required for the work had not been handed over to the contractors (September 2006). As a result, the period of contract had to be extended several times and none of the components viz., stadium, internal and external drains, hostel block, compound wall, etc., could be completed and work on indoor stadium, hostel for girls, gate, etc., had not been taken up yet (January 2007), though an expenditure of Rs 5.45 crore (including consultancy charges of Rs 6.54 lakh) had been incurred on the project.

Thus, the failure of KSSC to select the consultants who had adequate experience and expertise in the field and lack of proper planning and monitoring resulted in the non-completion of a project sanctioned more than a decade ago, rendering the expenditure of Rs 5.45 crore incurred on it unproductive and depriving the athletes and players of the intended benefits.

Secretary, KSSC stated (June 2007) that the special nature of work involved in the project had turned out to be a big task for any consultant to provide drawings and specifications and the upkeeping of international standard which varied from time to time led to carrying out extra items resulting in extension of time of completion. Further, the longevity of rainy season in Munnar was causing hindrance to the progress of work. The reply is not tenable as these facts were known to KSSC while awarding the consultancy and the work.

The matter was referred to Government in April 2007; reply has not been received (September 2007).

INDUSTRIES /AGRICULTURE (DAIRY DEVELOPMENT) DEPARTMENT

4.4.2 Non-implementation of Schemes

Failure of Government in assigning the required land to the implementing agency/assessing the financial soundness of the promoter resulted in non-implementation of two schemes and Rs 1.02 crore released to the implementing agency remained outside Government accounts for two to four years. There was also loss of Central assistance to the extent of Rs 1.40 crore.

Government sanctioned two schemes viz., setting up of State/Regional Marketing Complex, for Handicrafts (Industries Department) and establishment of a dairy plant (Agriculture Department) and released Rs 1.02 crore to the implementing agencies during 2002-05. The two projects were not implemented due to failure of Government in assigning the required land/assessing the financial soundness of the promoter. The details of the schemes are given below.

INDUSTRIES DEPARTMENT

Government of India (GOI) sanctioned (January 1999) a Scheme for setting up of State/Regional Marketing Complex for Handicrafts (Urban Haats) in the State at a cost of Rupees two crore. The Scheme envisaged setting up of 40-50 stalls and other facilities for marketing the products of traditional artisans/craftsmen and weavers eliminating exploitation of middle agencies. The share of GOI was fixed as Rs 1.40 crore (70 per cent) and that of State Government was Rs 60 lakh. The Handicrafts Development Corporation of Kerala Limited (Corporation) was the implementing agency in the State as per approval of GOI.

Under the Scheme assignment of required land to the implementing agency was the prime requisite for the release of Central share of funds. Corporation identified 18 acres of land belonging to Fisheries Department out of which five acres were required by the Corporation for implementing the Scheme. But State Government had not assigned required land to the Corporation till date (March 2007) and as a result GOI did not release the funds for the Scheme. The State Government released Rs 62 lakh (Rs 17 lakh during 2002-03; Rs 30

lakh during 2003-04 and Rs 15 lakh during 2004-05) to the Corporation. The Corporation deposited the entire amount in bank account. As there was no progress in the implementation of the Scheme, DIC directed (March 2006) the Corporation to refund the entire amount with admissible interest to Government account within seven days; but the amount has not been refunded so far (March 2007). Government decided (February 2007) to abandon the Scheme and to implement a similar Scheme through Tourism Department.

Thus, due to the failure of Government in assigning the required land to the implementing agency, which is a pre-requisite for release of GOI share, the Scheme intended for the welfare of traditional artisans/ craftsmen and weavers could not be implemented. Apart from the loss of Central assistance of Rs 1.40 crore, the action of Government in releasing the amount of Rs 62 lakh to the implementing agency resulted in blocking up of funds outside Government account for two to four years.

The matter was referred to Government in May 2007; reply has not been received (September 2007).

AGRICULTURE (DAIRY DEVELOPMENT) DEPARTMENT

Based on the recommendation of the Director of Dairy Development Department (Director), Government accorded sanction (March 2005) for establishing a dairy plant, with an installed capacity of 9,500 litres of pasteurized milk per day, by the Kottayam District Milk Supplies Union (Milk Supply Union) for meeting the requirements of rapidly expanding urban milk market in the Kottayam District. The Project estimated to cost Rs 84.19 lakh was to be implemented with Government subsidy of Rs 40.42 lakh and balance amount through promoters' contribution. Government entrusted the supervision/implementation of the project to the Director. The Director released Rs 6.42 lakh in March 2005 and Rs 34 lakh in October 2005. The amounts were deposited in the Treasury Savings Bank (TSB) account at District Treasury, Kottayam in the Joint account of Deputy Director of Dairy Development and Secretary of the union.

Meanwhile, the Finance Inspection wing of the Government (Inspection wing) conducted (August 2005) an inspection of the office of the Milk Supply Union and found that the Milk Supply Union was in accumulated loss for several years and even the salary of staff was in arrears and expressed doubts about the possibility of promoters raising their share of contribution. Inspection Wing recommended that the department should take a decision for releasing the balance amount of Rs 34 lakh on the basis of furnishing of proper utilization certificate by the Milk Supply Union and after assessing the physical progress of the scheme by a competent authority. But the Director released Rs 34 lakh in October 2005 without assessing the physical progress.

Audit scrutiny of the records of the Directorate of Dairy Development (January 2007) and subsequent enquiries revealed that the work of establishing the dairy plant has not been started so far (March 2007) and the assistance of Rs 40.42 lakh was retained in the TSB account. In view of the weak financial position of the Milk Supply Union, the possibility of establishing the dairy

plant is remote. The scheme required heavy investment by the promoter and Government should have assessed the financial soundness of the Milk Supply Union before approving the scheme. The action of the Director in releasing the balance amount without making assessment of the progress of work against the specific observation by the Finance Inspection Wing had no justification.

The lapse of the Government in making a realistic assessment of the financial soundness of the Milk Supply Union before approving the Project led to the delay in implementation of the Project resulting in Rs 40.42 lakh released for the scheme remaining idle.

Government stated (June 2007) that the Director of Dairy Development has been directed to return the amount deposited in the TSB account. Details of refund of the amount are awaited.

LOCAL SELF GOVERNMENT DEPARTMENT

4.4.3 Idle investment on a commercial tower

Action of GCDA in launching a project without any feasibility study or project report and its failure to take effective steps to let out the commercial tower constructed at a cost of Rs 10.96 crore resulted in the building remaining idle for four years and consequent notional revenue loss of Rs 1.24 crore by way of rent receivable.

Greater Cochin Development Authority (GCDA) decided (September 1997) to construct a multi storied building on the eastern side of Ernakulam South Railway Station to provide entry into the station from the eastern side. It was proposed to allot 600 sq. m. in the ground floor to the railways for opening eastern entry into the station, ticket counter, etc., and to utilize the remaining portion of the building for remunerative purpose by GCDA. The construction of the five storied commercial tower was completed in May 2003 at a total cost of Rs 10.96* crore.

Audit scrutiny revealed that no project report was prepared nor any feasibility study conducted before launching the project. On completion of the commercial tower, GCDA decided (June 2003) to invite tenders for letting out the I, II, III and IV floors, measuring 33,100 sq ft., on monthly rental basis and fixed (January 2004) the rates of rent. Tenders were invited in April 2004, February 2006 and May 2006, but only one tender was received in response to the call in May 2006. Though the bidder quoted rates higher than those fixed by GCDA, Government ordered (October 2006) to retender after giving necessary publicity for getting higher rent. Accordingly, it was retendered in December 2006, but there were no bidders. Meanwhile, 600 sq m in the ground floor was handed over (October 2005) to railways free of cost. Though the second floor (8,275 sq ft) was let out (December 2006) to M/s Delhi Metro Rail Corporation the rate of monthly rent, etc., had not been

* Land: Rs 8.09 crore, Construction cost : Rs 2.87 crore

fixed (April 2007). As a result, the commercial tower constructed in May 2003 had been idling for about four years and the investment of Rs 10.96 crore did not fetch any returns. The revenue loss on account of rent receivable aggregated Rs 1.24 crore as of March 2007.

The action of GCDA in launching a project without conducting any feasibility study or preparing a project report and its failure to take effective steps to let out the commercial tower constructed at a cost of Rs 10.96 crore resulted in the building remaining idle for about four years and consequent loss of revenue of Rs 1.24 crore by way of rent receivable.

Government stated (July 2007) that the construction of the building, connectivity with the road on the eastern side, parking space, etc., required to be done at a time could not materialize at a stretch and hence the commercial tower did not attract commercial importance and remained idle. Government added that the area was now attaining importance and the whole space could be rented out within a short period. However, it is a fact that major portion of the shopping complex could not be rented out even after four years of its completion.

WATER RESOURCES DEPARTMENT

4.4.4 Inordinate delay in completion of a Water Supply Scheme

Failure of Kerala Water Authority to acquire land for Water Treatment Plant and to arrange execution of balance work on laying of pipes led to delay of thirteen years in completion of a scheme and expenditure of Rs 4.91 crore remained unproductive for four to six years.

Government sanctioned (October 1993) an Accelerated Rural Water Supply Scheme (ARWSS) to Airoor, Parakkadavu and Puthenvelikkara Villages in Ernakulam District at an estimated cost of Rs 2.10 crore. The scheme intended to provide drinking water to 57,000 beneficiaries was to be completed in two years. The proposed land for construction of Water Treatment Plant could not be handed over by the Panchayat and this had badly delayed commencement of works. A revised proposal for combining the scheme with the nearby ongoing scheme of ARWSS to Chengamanad Nedumbassery Panchayat was approved and redesigned by Kerala Water Authority (KWA). The modified scheme consists of nine components. Though the redesign of the scheme had necessitated deletion/addition of certain components, a revised estimate taking into account the changes had not been prepared and approved by Kerala Water Authority (KWA). However, the works on the scheme were started in 1997. The execution of works in respect of six components had been completed between April 1998 and January 2001. Two important items of work viz., pure water pumping main from common sump and laying distribution line pertaining to the remaining three components could not be completed (March 2007) due to non-supply of pipes to contractors by KWA. The expenditure incurred on the scheme as of June 2007 was Rs 4.91 crore. The proposal for carrying out these works on supplying and laying basis was in the estimate stage (March 2007). Failure of

KWA to acquire land for Water Treatment Plant necessitated redesign of the scheme and its failure to supply pipes for the balance work of pumping main and distribution line resulted in inordinate delay in completion of the scheme.

Government stated (June 2007) that the scheme for water supply to Airoor Village benefiting 21,000 people had been commissioned (May 2005) and maximum efforts were being taken to complete the balance works. However, the objective of providing drinking water to the people of Parakkadavu and Puthenvelikkara Villages remained unachieved even after over a decade of its sanction and assets created after incurring an expenditure of Rs 4.91 crore remained unutilized for four to six years.

4.4.5 Non-completion of Water Supply Schemes

Five Water Supply Schemes taken up for execution between February 1995 and March 2000 and on which Rs 12 crore was incurred could not be completed even as of July 2007 due to failure of Kerala Water Authority to identify suitable land and to execute various components of the schemes in a time bound manner.

Government sanctioned (between February 1995 and March 2000) five drinking water supply schemes (total estimated cost: Rs 31.29 crore) for which Kerala Water Authority (KWA) borrowed Rs 6.05 crore from Life Insurance Corporation of India (LIC). Interest paid on the loan amount up to December 2006 by KWA was Rs 6.48 crore. None of the schemes has been completed as of July 2007. Delay in completion of Water Supply Schemes rendered the expenditure of Rs 12 crore incurred on them unfruitful. Details are given below:

Estimated cost, expenditure incurred and year of sanction	LIC loan availed and interest paid (Rupees in crore)	Remarks
1. Rural Water Supply Scheme to Paivalike and adjoining villages in Kasargod district		
Estimated cost: Rs 9.99 crore Expenditure incurred: Rs 28.18 lakh (March 2000)	Loan : Rs 1.35 crore Interest :Rs 1.11 crore	The scheme intended to provide drinking water to nearly one lakh people. The work on the construction of Ground Level Tank and Break Pressure Tanks were completed between February 2002 and March 2005. But the scheme could not be completed as one panchayat refused to hand over the identified site and the local people opposed the construction at another identified site. Alternate water source for the scheme had not yet been identified (February 2007). The balance loan amount of Rs 1.07 crore was utilized for other LIC aided water supply projects. Government stated (July 2007) that the scheme was dropped as directed by the Managing Director to arrange Mini Water Supply Schemes by utilising the GL Reservoirs constructed.

2: Augmentation of water supply to Pala Municipality in Kottayam District		
Estimated cost : Rs 3.07 crore Expenditure incurred : Rs 1.96 crore (February 1995)	Loan :Rs 1.08 crore Interest :Rs 1.41crore	The project proposal of the scheme was to provide drinking water to 25,000 people and it was to be completed in December 1998. As of March 2006, 13 components out of 16 were completed. The balance three components of the scheme were pending completion due to failure of KWA to finalise tender formalities and consequent delay in arranging/execution of works through contractors.
3: Rural Water Supply Scheme to two villages in Karimpuzha Panchayat in Palakkad District		
Estimated cost : Rs 6.71 crore Expenditure incurred : Rs 1.94 crore (March 1996)	Loan :Rs 1.02 crore Interest :Rs 1.26crore	The scheme intended to provide drinking water to 26,104 people was to be completed in March 1998. However, the work on the scheme commenced only in January 2000. Out of 99 kilometres of distribution network, only seven kilometres had been completed and balance work could not be carried out for want of pipes. Certain components are still in the tender stage. LIC had stopped the loan to KWA from 2003-04 and alternate source of fund is yet to be found out (April 2007).
4: Rural Water Supply Scheme to Thachampara and Karakurussi Villages and Centrally Sponsored Accelerated Rural Water Supply Scheme to Pottasserri I and II Villages		
Estimated cost : Rs 11.52 crore Expenditure incurred : Rs 1.33 crore (March 1998 and January 1999)	Loan :Rs 2.60 crore Interest :Rs 2.70 crore	The schemes were to be completed by May 2001 and December 2002 respectively. In February 1999 the Chief Engineer, Irrigation Project, Kozhikode informed that the original site proposed for construction of Water Treatment Plant (WTP) for both the schemes could not be considered due to Tourism Development activities in the site and proximity to the dam. KWA thereupon proposed (August 2000) alternate site, but the site was not handed over to KWA so far (February 2007) by the Government. In the meantime, KWA completed certain independent components of the schemes between February 2001 and October 2005 at a cost of Rs 1.33 crore. Four common components of the schemes could not be started due to non-availability of land from the Irrigation Department.

Thus, the failure of KWA to ensure availability of suitable land, to finalise the tender formalities in time and to supply the required materials delayed the completion of the schemes entailing the expenditure of Rs 5.51 crore incurred on them unproductive, besides the unnecessary interest burden of Rs 6.48 crore on the funds borrowed from LIC.

Items (2) to (4) were referred to Government in May – June 2007; reply had not been received (September 2007).

TAXES DEPARTMENT

4.4.6 Failure to operationalise Computerised Information System

The Department failed to operationalise Computerised Information System despite investing Rs 19.57 crore over a period of ten years.

Government decided (1998) to modernize the operations of the Check-posts and different offices in Commercial Taxes Department (CTD) through a well designed, Computerized Information System. The development of Kerala Commercial Taxes System (KCTS) was entrusted to M/s Tata InfoTech Limited (TIL) and Kerala State Electronics Development Corporation (KELTRON) during January 2000. As per the tripartite agreement executed between CTD, Keltron and TIL, the software KCTS was to be developed at a cost of Rs 70 lakh within 12 months. Mention was made in paragraph 5.1.5 (3) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Civil) about the delay in commissioning the software developed for computerization of the Commercial Taxes Department due to non-availability of hardware and connectivity between servers and offices.

A review of the further progress in the implementation of Computerised Information System conducted during February-March 2007 revealed that the delay in providing hardware and connectivity persisted and as a result a working software has not yet been installed as detailed below:

- a. The Department invited tenders for procurement of hardware during November 2002 to facilitate online data entry. At the processing stage it was decided that off-line data entry would be less expensive. This resulted in delay in issuing supply order till October 2003. The installation of hardware supplied during January 2004 was also delayed till September 2004 due to delay in site preparation.
- b. KCTS was to be run in client-server architecture. In order to integrate the data at State level, Local Area Networks (LAN) connecting all computers within each office and Wide Area Network (WAN) linking all the offices to the Commissionerate were essential. Though the work order for setting up of LAN at a cost of Rs 77.30 lakh was issued in September 2004, it was completed only during October 2005 due to delay in site readiness. The work order for WAN was issued only in April 2007.
- c. Though BSNL leased line connections were taken for District Offices and Check posts during March 2004, the Department did not take any steps to integrate the computers in 248 CTOs in 127 locations.
- d. Consequent on the introduction of Value Added Tax sanction was accorded (April 2005) for the development of VAT software at a cost of Rs 140 lakhs and the work was entrusted to M/s CMC limited during June 2005. But only two modules were operational at limited number of Commercial Tax Offices and Check posts as of March 2007, though acceptance certificate was issued on 18 December

2006 for operation of 12 modules. The remaining 10 modules were yet to be operationalised in Deputy Commissioners Office or Commercial tax Offices for want of WAN.

Though the Department had incurred an expenditure of Rs 19.57 crore up to March 2007, which included Rs 10.80 crore spent towards development of KCTS, site preparation, procurement of hardware, software, networking and training, the Department stated (July 2007) that KCTS lacked utility in the scenario of KVAT. Consequently (i) Rs 63 lakh representing 90 per cent of software development cost was rendered wasteful; (ii) the expenditure of Rs 1.01 crore incurred (March 2004) towards procurement of licences of SCO Unixware and Oracle 8i became wasteful; and (iii) 26 Servers and 943 PCs and other hardware costing Rs 5.10 crore procured during January 2004 were idling at various Offices for more than three years. The Department also incurred unnecessary expenditure of Rs 1.20 crore (March 2006) towards the purchase of 354 PCs for the input of data in the monthly returns filed by the registered dealers.

Though the Department invested another Rs 8.77 crore for the development and installation of KVAT software, the Computerised Information System proposed during 1998 has not yet materialized. A critical aspect of VAT Administration is the verification of input tax credit claims to ensure that the amount claimed by the dealer has been remitted by the dealer selling them and KVAT was developed for the computerized processing of returns and refunds. As there is no manual system for such cross verification, the input tax credit claimed during 2005-06 and 2006-07 were admitted and refund allowed without any cross verification.

4.5 Regularity issues and other points

DEPARTMENT OF TOURISM

4.5.1 Release of funds without ensuring implementation of projects

Release of second instalment of fund by the Tourism Department to Varkala Municipality for implementing a project without ascertaining utilisation of first instalment resulted in blocking of Rs 50 lakh for three years.

Government accorded (August 2003) administrative sanction to the Director of Tourism (Director) for a project of providing parking facilities and construction of toilet blocks at Varkala at an estimated cost of Rs 50 lakh. The work was to be executed by Varkala Municipality (Municipality). The Tourism Department (Department) released the amount in two instalments of Rs 25 lakh each to the Municipality in October 2003 and March 2004. The Municipality deposited the amount in a Scheduled Bank. As no land was available with the Municipality, they could not commence the work on the project. In June 2006, after a lapse of about two years since the release of funds, the Director requested the Government to cancel the project as the Municipality had not commenced the work. Accordingly, the Government

cancelled the project (August 2006) and directed the Municipality to refund the amount to the Department with immediate effect. In January 2007, the Municipality intimated the Department that the amount was spent for administrative purposes of the Municipality. The amount has not been refunded so far (July 2007).

Audit ascertained that apart from releasing the funds, the Department had no effective mechanism to monitor the progress of execution of the projects at definite intervals of time. The Department's action of releasing the final instalment to the Municipality without ascertaining the utilisation of first instalment was therefore irregular and lacked justification.

Government stated (July 2007) that funds were released to avoid lapse of appropriation of funds and Varkala Municipality was responsible for the idle investment of money as they failed to execute the project in time.

TOURISM/INDUSTRIES DEPARTMENT

4.5.2 Unproductive expenditure on land

Lapse on the part of the Tourism Department and Industries Department in acquiring suitable land for implementation of the intended projects resulted in abandonment of the projects and idling of land acquired at the cost of Rs 9.61 crore.

Government sanctioned (1996 and 1999) two projects to be implemented by the Industries Department and Tourism Department. The projects were, however, not implemented as the land acquired by the Departments for the projects were found to be unsuitable. The Departments abandoned the projects and the expenditure of Rs 9.61 crore on the acquisition of land remaining blocked for the last five to six years. The details of the projects are furnished below:

INDUSTRIES DEPARTMENT

Government accorded (December 1996) sanction for acquisition of 8.27 hectares of land through negotiated purchase at Thamarassery in Kozhikode district for the project 'setting up of Industrial areas/plots'. Based on the demand made by the land owners, the Director of Industries and Commerce (Director) allotted (February 1997) Rs 1.23 crore to the District Collector (DC), Kozhikode for acquisition of land at the cost of Rs 6,000 for one cent*. It was noticed in Audit that when the meeting of the DC, Kozhikode with the land owners in March 1997 did not reach any consensus on price, GM, DIC[§], Kozhikode reported (April 1997) to the Director that the advantage of acquiring the land was that it could be allotted immediately after acquisition with very little development cost. The District Collector, Kozhikode intimated (June 1997) to the Director that the cost of Rs 6,000 for one cent was

* 1 hectare= 247.10 cents

§ General Manager, District Industries Centre

exorbitant and requested to communicate orders to acquire the land through Land Acquisition Act. Though there was a proposal to shift the site of the project to another place, Government finally ordered (April 2001) the Director to acquire the land through Land Acquisition Act. The DC acquired the land in April 2002 at the expenditure of Rs 1.22 crore and the District Industries Centre (DIC), Kozhikode took possession of the land in May 2002.

The District Panchayat, Kozhikode approved the proposal for development of land including installation of transformer, water supply facility etc., at a cost of Rs 58.92 lakh. But the development of land using panchayat funds did not materialize due to shortage of funds. Meanwhile the estimate for development work was revised to Rs 2.47 crore based on a study report conducted by the Kerala Industrial and Technical Consultancy Organization (KITCO) in 2004-05. As the cost of development of land was more than the price of land and the land after development could be allotted only at the rate of Rs 15,000 for one cent, it was decided (May 2005) to drop the project as the small scale entrepreneurs would not be willing to take the land at that price.

Thus failure of the Department in determining actual price and site conditions of the land led to non-implementation of the scheme. The land acquired at the cost of Rs 1.22 crore was lying idle for the last five years and small scale entrepreneurs of the locality were denied the benefit of establishing their industrial units.

Government stated (August 2007) that the District Level Site Selection Committee conducted site inspection and detailed study and the State Level Committee recommended for acquisition of land at Thamarassery. The reply of the Government is not convincing because site inspection and detailed study before selection of site should have revealed the actual development cost.

Tourism Department

Government sanctioned (August 1999) a project, viz., setting up of an Amusement Park at Veli, Thiruvananthapuram through private participation on a Build-Own-Operate-Maintain (BOOM) basis. Revenue Department acquired 9.3143 hectares (ha.) of land for the Project between June 1999 and June 2001 at a cost of Rs 8.39 crore and handed it over to the Tourism Department. Out of this, 7.4370 ha. of land was offered for setting up of the Amusement Park on a 30 year lease. On the basis of competitive bidding, M/s S.F.C.Group, Abu Dhabi (Firm) which quoted the highest annual lease rent of 8.05 *per cent* of the land value (Rs 35.25 lakh) was selected in December 1999 to implement the Project. As per the bid conditions, the Firm was to commission the park within 18 months from the date of communication of bid acceptance.

Audit scrutiny (May 2005) of the records of the Directorate of Tourism revealed that after selection, the firm demanded several concessions which were not originally included in the bid conditions on the ground that a portion of land offered for the park fell under Coastal Regulation Zone (CRZ) and no development activity was possible in that area. Government conceded

(October 2002) the demands of the firm which included exemption from payment of lease rent for the land falling under CRZ, for reducing land value for calculation of lease rent, exemptions from stamp duty and registration charges, exemption from lease rent for the first six years etc. In spite of such post bid concessions, the Firm had not signed the agreement (April 2007) pending acquisition of 0.1748 ha. of land additionally demanded (January 2003) by the Firm. Government decided (June 2007) to withdraw the offer made to the firm as despite the incentives given, the firm did not sign the agreement or initiate action for kick starting the project. It was also decided to transfer the land to the Tourism Resorts (Kerala) Limited for preparing fresh proposals for tourism purposes.

Thus the land acquired at a cost of Rs 8.39 crore could not be put to any use for the last six years and the intention of Government to set up an amusement park of international standards was not achieved.

FOREST AND WILDLIFE DEPARTMENT

4.5.3 Unauthorised functioning of a Rescue Centre for animals

Functioning of an animal rescue centre of the department without proper recognition of the Central Zoo Authority and violating the provisions of the Wildlife (Protection) Act.

The Wildlife (Protection) Act 1972 stipulates that no zoo shall take up any activity inconsistent with the primary objective of conservation of wildlife. Test check of the records of the Divisional Forest Office, Malayattoor revealed (January 2002) that a mini zoo of the department functioned in violation of the provisions in the Act even after intervention of the Central Zoo Authority (CZA), as explained below:

A mini zoo under the Forest and Wildlife Department was functioning from 1980 at Kodanad (Ernakulam District). The department sought recognition of the CZA in August 1993 and the matter was under correspondence with them thereafter. CZA denied (June 1998) the request for recognition as the zoo did not have the requisite facilities. The department therefore proposed (July 1998) shifting of the zoo to Kaprikkad, where a site of ten hectares of forest land was available for establishing a zoo with all facilities. Though the CZA agreed to this proposal, the proposed zoo could not be established due to lack of budget allocation. In February 2001, the CZA informed that the request for shifting of zoo to Kaprikkad stood rejected and action for disposal of animals should be completed within six months therefrom. However, no action was taken to comply with this order. Instead, the mini zoo was renamed as 'Wild Animal Rescue Centre' with the function of treating and rehabilitating the wounded/seized/rescued animals and birds from illegal custody/wild areas and applied (November 2004) for recognition. As the functioning of the Rescue Centre was in total violation of the provisions of the Act, CZA issued (August 2005) show cause notice as to why recognition should not be refused and operation of the Rescue Centre closed.

The Rescue Centre continued to function without any change and hence considering the deplorable condition of the animals, CZA again issued a show cause notice in February 2007. As no reply was furnished within the prescribed time, CZA ordered closure of the Wild Animal Rescue Centre within a period of six months from the date of their order (April 2007). As of date (June 2007) an appeal filed by the department seeking a further period of three years for rectifying the defects pointed out by CZA was pending before Government of India, Ministry of Environment and Forests. The Rescue Centre had incurred an expenditure of Rs 1.15 crore during the last five years on running of the unauthorized centre. In reply to audit observations, Government held (August 2006) that there was no other facility in the department for rescue of animals.

According to Rule 2(ff) of the Recognition of Zoo Rules 1992, a Rescue Centre means an establishment for the care of animals specified in the Schedules to the Act and not one which opens for exhibition to the public. But in this case, the rescued animals were exhibited to the public. It was apparent that the renaming of the zoo as Rescue Centre was intended to circumvent the provisions in the Act and secure recognition. There is no justification for the continued functioning of the Rescue Centre under the Forest and Wildlife Department, violating the provisions of the Wildlife (Protection) Act.

The matter was reported to Government in May 2007; reply has not been received (September 2007).

INDUSTRIES DEPARTMENT

4.5.4 Inefficient working of Kerala Coir Workers Welfare Fund Board

Administrative inefficiency of the Board in realising dues as provided in the Act denied basic relief measures to coir workers.

Kerala Coir Workers Welfare Fund Board (Board) was established in 1989 under the provisions of the Kerala Coir Workers Welfare Fund Act, 1987 to provide relief and welfare measures including payment of pension to coir workers and self employed persons in coir industry in the State. The main source of revenue of the Board was contributions to be received from coir workers, self employed persons in coir industry, employers/producers/dealers and exporters of coir products, besides grants from the Government. A scrutiny (January 2006) of the records revealed the failure of the Board to mobilise resources as envisaged in the Act.

The 1998 amendment of the Act *ibid*, provided for collection of contribution from employers/producers at specific rates based on the category* to which they belong. However, the total number of machinery/equipment available in the factory/premises of employers/producers had not been assessed by the

* As per Annexure to Sn.4 (2) of the Act employers/producers have been classified into 11 categories viz., employers engaged in production of yarn using spinning ratt, persons engaged in extraction or production of fibre using defibering machinery, persons engaged in production of coir mats, mattings and carpets, etc.

Board to determine the category and to fix the rate of contribution. Hence the extent of short/arrears of contribution to be collected from employers/producers was not available with the Board. According to the assessment made by the Board, there were 18,525 employers, 412 producers and 1,406 Coir Co-operative Societies on the rolls of the Board as of April 2007. The amount of contribution to be realised from September 1997 to March 2007 worked out to Rs 2.58 crore of which only Rs 1.09 crore could be collected leaving an arrear of Rs 1.49 crore.

The total number of coir workers and self employed persons registered with the Board as of March 2007 was 2,34,029 and the contribution at the rate of Rupees five per month due for 2004-05 to 2006-07 was Rs 3.94[#] crore against which the amount realised was only Rs 2.20 crore. As per the Act, the Government had to contribute to the fund every year an amount equal to twice the amount contributed by the coir workers and self employed persons, by way of grant. Consequent to the short collection, the Government contribution by way of grant to the extent of Rs 3.48 * crore could not be availed by the Board during the last three years.

Though the Act provided for recovery of dues from employers/producers in the same manner as an arrear of public revenue due on land, the Board had not taken any effective steps to recover the arrears. As a result, major welfare schemes, viz., old coir workers pension (47,494 pensioners) and member pension (18,481 pensioners) could not be operated efficiently and payment of pensions was in arrears from June 2005 (Rs 9.97 crore) and October 2006 (Rs 92.41 lakh) respectively. Due to the administrative inefficiency of the Board in assessing and realising the contributions, as provided in the Act, the Board could not mobilise resources for the implementation of welfare schemes. Thus the very purpose of constitution of the Board was defeated and poor coir workers in the traditional sector were denied the basic relief measures.

Government stated (August 2006) that the Board had started an action plan which included field study, inspection, publicity, etc., to improve the collection. Government added that the above actions would produce better results and the coir workers would be adequately compensated. Government reply is, however, silent on collection of the arrears. Government reiterated their remarks in July 2007. However, there was no progress compared to the position in August 2006.

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Year	No of Workers registered with the Board	Amount to be realized (Rs in crore)
2004-05	1,96,480	1.18
2005-06	2,26,293	1.36
2006-07	2,34,029	1.40
	Total	3.94

* Rs 3.94 crore – Rs 2.20 crore = Rs 1.74 crore x 2 = Rs 3.48 crore

GENERAL**4.5.5 Lack of responsiveness of Government to Audit**

The Principal Accountant General (Audit) conducts 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. The provisions of Article 63 (c) of Kerala Financial Code and instructions issued by 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 Accountant General within four weeks of receipt of 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 2007, 6,465 IRs and 22,641 paragraphs issued up to December 2006 were outstanding for settlement. The year-wise break-up of these IRs is given below:

Year	Number of IRs	Number of Paragraphs
Upto 2002-03	2,037	5,754
2003-04	996	2,568
2004-05	1,414	4,241
2005-06	1,081	5,142
2006-07 (issued up to December 2006)	937	4,936
Total	6,465	22,641

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

A review of the outstanding IRs pertaining to Rural Development Department and Animal Husbandry Department revealed that 740 paragraphs contained in 275 IRs having money value of Rs 99.57 crore remained unsettled at the end of June 2007. The year-wise position of the outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix XXXIV**.

4.5.6 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.

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

The position of pendency as of September 2007 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 2000-01 to 2005-06 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
2000-01	51	50	1
2001-02	24	24	Nil
2002-03	63	59	4
2003-04	43	25	18
2004-05	32	14	18
2005-06	32	10	22
Total	245	182	63

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