

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*

PUBLIC WORKS DEPARTMENT

4.1.1 Reimbursement of cost of bitumen based on fake invoices

Failure of the Executive Engineers to follow the prescribed system for purchase of bitumen by the contractors resulted in payment of Rs 2.32 crore on production of 160 fake invoices. Further claim of Rs 3.83 crore based on 188 fake invoices had also been admitted but had not been paid.

Government ordered (September 2003) that the departmental supply of bitumen would be dispensed with for works costing above Rs 6 lakh (increased to Rs 15 lakh with effect from February 2004) and the contractors would be reimbursed the cost of bitumen procured by them after completion of the work. The contractors were required to purchase bitumen only from Bharat Petroleum Corporation Limited (BPCL), Kochi Refineries Limited and Indian Oil Corporation (IOC), Kochi to ensure the quality of material used. The Chief Engineer (Administration and National Highway), Public Works Department instructed (October 2003) that the requisition for purchase should be placed through the concerned Executive Engineer (EE).

Scrutiny (January 2008 to April 2008) of the invoices for reimbursement of the cost of bitumen submitted by the contractors for the period 2004-05 to 2006-07 in 15 (out of 16) Road Divisions and 3 (out of 8) National Highway Divisions revealed that:

- No supply was made by BPCL to the contractors against some of the invoices when these were verified with the list of invoices furnished by BPCL for the period July 2003 to February 2008.
- In the case of IOC's invoices, the company replied that some of the invoices were not IOC's invoices whereas some others were those raised on various other parties for various other products and in other units mostly outside Kerala.

But, the materials based on these invoices were recorded as received in measurement books by the Assistant Engineer concerned in charge of the work. Therefore, it appears that fake invoices were submitted by the contractors and the Assistant Engineers did not check the genuineness of these invoices and ensure the receipt of materials before finalising the claims of the said contractors.

Audit scrutiny disclosed that 348 such fake invoices amounting to Rs 6.15 crore in 16 Divisions were produced by 93 contractors for claiming reimbursement. Out of this 160 invoices (Rs 2.32 crore) had already been paid. Though claims amounting to Rs 3.83 crore based on 188 invoices were admitted, the amount was not paid. The details are indicated in the Appendix XXXIV.

As Executive Engineers of these respective Divisions did not enforce a system prescribed by the CE for purchase of bitumen by the contractors, 93 contractors produced fake invoices for Rs 6.15 crore for claiming reimbursement of which Rs 2.32 crore had already been paid. In reply to audit the Chief Engineer stated (June 2008) that necessary instructions had been issued to all EEs to safeguard Government interest in the matter.

The matter was referred to Government in August 2008; the reply has not been received (October 2008).

4.2 *Infructuous/wasteful expenditure and overpayment*

PUBLIC WORKS DEPARTMENT

4.2.1 Unauthorised payment to a contractor

Execution of agreements by Superintending Engineer in violation of Government directions resulted in excess payment of Rs 5.50 crore to a contractor firm in two road works taken up under 'Central Road Fund Scheme'.

Ministry of Roads Transport and Highways (MORTH) sanctioned (June 2005) 11 works under Central Road Fund (CRF) scheme. These included two road works - Varkala-Paripally road and Kilimanoor-Alancode- Kadakavoor-Varkala Road estimated to cost Rs 8.84 crore and Rs 6.42 crore respectively. These were to be executed by the National Highways (NH) Division, Thiruvananthapuram. The Superintending Engineer (SE), NH South Circle, Thiruvananthapuram invited (September 2005) pre-qualification bids for the above works under 'Item Rate Contract'. M/s Sreedhanya Constructions quoted the lowest amount of Rs 12.14 crore and Rs 12.05 crore for the former and the latter work respectively. Government accepted (February 2006) the lowest tenders of the above firm at 35 *per cent* above estimate rates. The SE, however, awarded the works (March 2006) to the contractor firm at their quoted rates itself disregarding Government's directions. The two works were completed in February 2007 and final payment made in July 2007 (Rs 12.14 crore) for the former and in March 2007 (Rs 12.01 crore) for the latter.

The following points were noticed in audit:

- Though the intention of Government was clearly to award the work at 35 *per cent* above estimate, the SE awarded the works at the quoted rates on the plea that Government had accepted the lowest quoted amount. This was not correct as it was clearly stated in the Government order that the lowest tender at the rate of 35 *per cent* above estimate had been accepted.

- When this discrepancy in accepted tender amount was pointed out by Audit (October 2006) in respect of one of the above two works SE, NH Circle, Thiruvananthapuram reported (November 2006) that pending clarification from Government, the EE was instructed not to make payment beyond Rs.8.67 crore (35 per cent above estimate of Rs 6.42 crore). It was, however, observed that the EE had not brought this discrepancy to the notice of the Finance Department which resulted in issuing Letter of Credit by it for the entire amount. The EE made final payment in March 2007 for Rs 12.01 crore in respect of this work. Similarly, the EE made final payment of Rs 12.14 crore in July 2007 in respect of the other work also.

Thus the execution of agreements by SE accepting the lowest quoted amount instead of at 35 per cent above estimate rate as ordered by Government resulted in excess payment of Rs 5.50 crore[@] on two road works.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

4.2.2 Infructuous expenditure on a road work

Injudicious decision to construct a road through forest land without obtaining clearance from the competent authorities resulted in abandoning the work rendering the expenditure of Rs 4.25 crore infructuous.

Government sanctioned (October 2000) the work ‘formation of Sethuparvathipuram-Kanthalloor road’ having a length of 16 kilometres. The Chief Engineer (CE) issued (January 2001) technical sanction for the work for Rs 2.79 crore. The proposed road passed through Tata Tea Estate (Ch: 0/00 to 6/865), Reserve Forest (Ch: 6/865 to 13/360), private land (Ch: 13/360 to 15/485) and was intended to connect two State Highways by widening the existing road to eight metre. The site was handed over to the contractor in February 2002 and the scheduled date of completion was 15 August 2003. The contract amount of the works was Rs 3.22 crore. In April 2002 the Divisional Forest Officer (DFO), Munnar objected to the work stating that new road passes through reserve forest area and Public Works Department (PWD) had no claim over the forest land. As the widening of the road requires diversion of forest land, Government directed (October 2002) CE to obtain permission from GOI under Forest Conservation Act, 1980 for widening the road and also from the Kerala State Pollution Control Board for tarring the road in the forest area. The Executive Engineer, however, proceeded with the work without getting the mandatory clearance from GOI and the Kerala State Pollution Control Board. Based on a complaint filed by WWF-I^{*}, a Non-Governmental Organisation (NGO) the Central Empowered Committee (CEC) constituted by the Supreme Court ordered (September 2003) Government to stop all works in the forest area. PWD, however, proceeded with the work knowing fully well that connectivity could not be achieved without constructing the road in the forest area. The work was only

[@] Varkala-Parippally road: Rs 2.03 crore and Kilimanoor-Varkala road: Rs 3.47 crore.

^{*} World Wide Fund for Nature – India

partially completed after incurring an expenditure of Rs.4.25 crore against the contract amount of Rs 3.22 crore including Rs 58.72 lakh spent towards providing drain and culvert in the reserve forest area where there was no road and closure agreement executed with the contractor in May 2007 as no further work could be carried out in the forest land.

PWD rules stipulate that possession of land should be taken before tendering any work. The PWD in this case took possession of the land without obtaining clearance from the Forest Department before starting the work. The Forest Department had moreover objected to the construction work in the forest area even at the time of commencement of the work.

The action of the PWD in proceeding with a road work, which included forest land, without obtaining necessary clearance from competent authorities resulted in abandonment of the road work in May 2007 and rendered the expenditure of Rs 4.25 crore infructuous. The intention of connecting the two State Highways has also not been fulfilled.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

4.2.3 Infructuous expenditure on advertisement

The expenditure of Rs 50.70 lakh incurred on advertisement of the bids in the newspapers became infructuous as the World Bank refused to fund works under Phase II of Kerala State Transport Project due to non-availability of encumbrance free land.

State Government launched (June 2002) the Kerala State Transport Project (KSTP) for the comprehensive development of State Highways and Waterways. One of the main components of the project was to upgrade selected roads to International Standards. The objective of this component was to increase the capacity of existing roads by widening, improving the geometric standards and to provide designed pavement. This component was to be implemented in two phases namely Phase I (257 Km) and Phase II (327 Km). The World Bank in the Aide-Memoire of the Mission held during May-June 2004 opined that KSTP should show substantial progress in acquisition of land before taking up Phase II. Without taking initiative to complete the land acquisition for Phase-II, the KSTP invited bids in June 2004 incurring an expenditure of Rs 24 lakh on advertisement of tender notices in newspapers. The World Bank did not give consent for awarding the work, as encumbrance free land was not available for the project. The Steering Committee in its meeting held in October 2005 decided to cancel the bids and re-tender the Phase II work after splitting it into small size contracts to attract more bidders. As it was planned to complete all Phase II works on or before the loan closure date of December 2007, fresh bids were invited in December 2005 incurring Rs 26.70 lakh towards advertisement for publishing the notice in national and local newspapers. The bids were not accepted by the World Bank due to delay in land acquisition. Thus, on both the occasions the KSTP invited tenders for the work without ensuring the availability of land and this resulted in non-awarding of the works. In the Aide-Memoire of Implementation Support Mission (December 13-21, 2007) the World Bank stated that two previous

attempts to award the Phase II works on contract had to be aborted following non-availability of encumbrance free stretches of land and much higher than expected bid prices and opined that there was no possibility of taking up these works within the project considering the fund and time constraints. Thus, Rs 50.70 lakh already spent on advertisement for inviting bids had become infructuous.

Government stated (September 2008) that KSTP decided to cancel the bids in view of high bid price and lack of competition and therefore the advertisement charges incurred for inviting bids could not be considered infructuous. However, the fact remains that World Bank had denied permission to award the work on both the occasions (June 2004 and December 2005) due to non-availability of encumbrance free land.

4.2.4 Infructuous expenditure on the partial construction of a helipad

Construction of a helipad in an ‘ecologically fragile land’ led to stoppage of work midway and rendered Rs 75.42 lakh spent on it infructuous.

Government accorded (August 2007) administrative sanction for the construction of a helipad and other works like approach road, rectification work of roads, providing barricades, direction boards, flags, etc., at a cost of Rs 1.94 crore in connection with the visit of Prime Minister of India for laying the foundation stone of Indian Institute of Space Science and Technology (IIST) at Ponmudi, Thiruvananthapuram. Government also ordered that 50 *per cent* of the cost would be met by Vikram Sarabhai Space Centre (VSSC) under whom IIST is coming up.

The Chief Engineer, Roads and Bridges issued technical sanction for Rs 1.53 crore for the work of construction of helipad and approach road. The Executive Engineer, Roads Division, Thiruvananthapuram awarded the work waiving tender procedures at 14.9 *per cent* above estimate rate. The site was handed over on 14 August 2007. The work was to be completed on or before 7 September 2007. When the contractor completed fifty *per cent* of the work mainly earth work excavation for levelling the land, the Divisional Forest Officer (DFO), Thiruvananthapuram directed (September 2007) the contractor to stop all the construction activities since the area where the work was being executed was notified as ‘ecologically fragile land’ as per provisions contained in Kerala Forest (Vesting and Management of Ecologically Fragile Land) Act, 2003. Thus the work was stopped in September 2007. The claim of the contractor for Rs 75.42 lakh has been pending with the Division for want of letter of credit.

According to the provisions of Kerala Public Works Department Manual and instructions issued by Government, hindrance free land was to be handed over and amount to be deposited by the agency before arranging the works. However these provisions were not insisted upon by the Public Works Department. Thus the action of the Department to execute the work in an ‘ecologically fragile land’ resulted in abandonment of the work midway and Rs 75.42 lakh incurred on it had become infructuous. Further, Public Works Department should have realised Rs 37.71 lakh from VSSC being fifty *per cent* of expenditure incurred which was not done so far (October 2008).

The matter was referred to Government (June 2008); reply has not been received (October 2008).

WATER RESOURCES DEPARTMENT

4.2.5 Infructuous expenditure on purchase of pipes and specials

Non-availability of land resulted in redesign of a water supply scheme sanctioned in 1993 and the expenditure of Rs.1.40 crore incurred on purchase of pipes and specials became infructuous as the revised scheme envisaged use of pipes of lesser diameter only.

Pipes worth Rs 1.07 crore were purchased in 1997 for the Accelerated Rural Water Supply Scheme to Pathanapuram and adjacent villages sanctioned by the Government of Kerala (October 1993) at an estimated cost of Rs 3.78 crore. Mention was made in Paragraph 7.14.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 regarding idling of these pipes. The scheme intended to benefit five villages* and works for scheme comprised of construction of well-cum-pump house, construction of treatment plant, supply and erection of pumpsets and surge arrestors, construction of reservoirs, pumping main, distribution system, etc. The site for the construction of the treatment plant was proposed at Kuriyottumala, Buffalo Breeding Centre of the Animal Husbandry Department in Piravanthoor Village and the required land (1.50 acres) was handed over to the Kerala Water Authority (December 2005). The site for sumps and reservoirs were at Thalavoor and Mylom villages. In a meeting convened by the Minister for Irrigation on 29 October 2001 to review the progress of the scheme, the panchayat authorities of Thalavoor and Mylom villages pointed out that the acquisition of proposed land at both the villages was not possible. In view of this, the Minister directed the Kerala Water Authority to limit the area of the scheme to Pathanapuram and Piravanthoor villages only. This necessitated the preparation of a revised design and estimate for various components of the scheme. Despite the limitation in the scope contemplated in October 2001 itself, pipes and specials as per specification of the original scheme worth Rs 33.02 lakh were procured (January 2004) based on a proposal of the Chief Engineer (HRD) in August 2003.

The revised proposal was approved by the Technical Member in July 2004. In the revised design, pipes of lesser diameter were proposed to be used because the distribution system had been limited to one zone instead of three zones as per the original proposal.

Since pipes and specials worth Rs 1.40 crore with different specification which was no longer required were purchased and not put to use, the expenditure on the said pipes and specials became infructuous. Incidentally, the first lot of pipes (cost: Rs 1.07 crore) was procured (1997) even before the District Panchayat took a decision (2001) to hand over the land for construction of treatment plant.

* Pathanapuram, Piravanthoor, Pidavoor, Thalavoor and Mylom in Kollam district

Government stated (June 2008) that the expenditure could not be considered as infructuous as there was demand for pipes in other schemes. The reply of Government is not acceptable as the pipes procured in 1997 are still held in stock (October 2008) without utilisation.

4.2.6 Infructuous expenditure on an abandoned sea wall

Failure to heed the advice of Joint Director, Coastal Engineering Field Studies before commencing the construction of sea wall resulted in abandonment of the work midway and as a result expenditure of Rs 1.60 crore on its construction became infructuous.

Government (January 2005) accorded administrative sanction for the reformation and construction of sea wall for a length of 2000 metre[#] at Tharayilkadavu in Arattupuzha panchayat at a cost of Rs 4.90 crore. The Superintending Engineer, Irrigation South Circle, Thiruvananthapuram arranged (4 April 2005) reformation work of sea wall in Arattupuzha in four reaches^{*} of 500 metre each with the same contractor for a total contract amount of Rs 4.55 crore under four separate agreements. The Joint Director (JD), Coastal Engineering Field Studies (CEFS) inspected the site on 8 April 2005 for fixing the alignment and stated that any protection work would not be fruitful as there was every possibility of further erosion in the area. A final decision of the alignment should be taken only after a detailed inspection by the higher authorities. However, the sites for the works were handed over to the contractor on 15 April 2005 even though the sites were experiencing severe tidal attack. The work was to be completed within ten months from the date of handing over of site. In the meantime, severe erosion took place due to the tidal attacks. The contractor was asked to provide emergency rubble dumping to protect the coastal road, the life and properties of the local people and to meet the expenditure from this work. The total cost of the emergency work undertaken was Rs.1.08 crore for which no sanction from Government was obtained. Finally the original work of construction of sea wall started only in the second week of December 2005. The work could not proceed smoothly due to frequent sea attacks, heavy sinkage in the completed and progressing sea wall portions, blocking of coastal road due to sand deposits, etc. The Chief Engineers, Irrigation and Administration, IDRIB along with the JD, CEFS, visited the site on 2 September 2006 and were convinced that continuing the construction of the sea wall in the proposed alignment would be futile and the only alternative was to shift the alignment backwards by changing the present design. The reports from Centre for Water Resources Development and Management and Indian Institute of Technology, Chennai also endorsed this opinion. In the meantime the contractor had completed more than 85 *per cent* of the original work in Reach II incurring Rs 0.97 crore and had partially completed the original works in Reaches I and III incurring Rs 0.63 crore. Therefore, the Executive Engineer, Irrigation Division, Kollam proposed foreclosure of the agreement of the work in all the Reaches

[#] from chainage 49.500 kilometre to chainage 51.500 kilometre

^{*} Reach I – Chainage 49.500 to 50.000 km, Reach II – Chainage 50.000 to 50.500 km, Reach III – Chainage 50.500 to 51.000 km and Reach IV – Chainage 51.000 to 51.500 km.

(except II) in March 2007 on ‘as is where is condition’ without risk and cost. Government sanctioned (March 2008) rearrangement of works with a new design. Thus, the sea wall constructed by incurring an expenditure of Rs 1.60 crore became infructuous.

The matter was referred to Government in June 2008; reply has not been received (October 2008).

4.2.7 Unfruitful expenditure on a Lift Irrigation Scheme

Failure to rectify defects which occurred during trial run of a Lift Irrigation Scheme resulted in non-commissioning of the scheme and rendered the expenditure of Rs 90.43 lakh unfruitful.

The Thenampara Lift Irrigation scheme was intended to irrigate 1,087 acres of land in Palakkad District by lifting water from Bharathapuzha river. The civil works and electrical works were completed in March 1997 and February 2000 respectively at a total cost of Rs 54.40 lakh and the scheme was partially commissioned on 3 March 2001. When pumping started, the canals breached due to high outflow of water and hence pumping had to be stopped. No further action was taken by the Executive Engineer to rectify the defects and to commence pumping again. The Department had been paying electricity charges at a minimum rate of Rs 38,940 per month during this period of non-operation. Thus, the electricity charges paid up to August 2008 were Rs 36.03 lakh. Bill for next month has not been received (October 2008).

It was observed from the facts that lethargy/indifference on the part of the Executive Engineer to rectify the defects noticed during trial run had resulted in non-commissioning of the Lift Irrigation Scheme even after eight years after completion of civil and electrical works rendering the expenditure of Rs 54.40 lakh incurred for the scheme unfruitful. In addition Rs 36.03 lakh were paid for electricity charges without consuming any electric power. Failure of the Department in implementing the scheme fully resulted in unfruitful expenditure of Rs 90.43 lakh besides losing the opportunity for irrigating 1,087 acres of land for eight years.

The matter was referred to Government in September 2008; reply has not been received (October 2008).

4.3 Avoidable/Extra/Unfruitful expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.1 Avoidable payment of penal interest on electricity charges

Failure of the Superintendent, MCH, Kozhikode to pay the bills in time resulted in avoidable payment of Rs 43.21 lakh towards penal interest on belated payment of electricity charges.

The Institute of Maternal and Child Health (IMCH), Kozhikode has an electricity connection (Consumer Number 6595011809) in the name of the

Principal, Medical College, Kozhikode. Monthly electricity bills were issued by the Kerala State Electricity Board (KSEB) to the Principal, Medical College, Kozhikode and the Principal arranged payments through the Superintendent, Medical College Hospital (MCH), Kozhikode. The Superintendent, MCH, Kozhikode remitted the energy charges up to June 2001 but did not honour the electricity bills thereafter. Hence, electricity charges amounting to Rs 1.78 crore due for the period July 2001 to May 2005 fell into arrears. The Assistant Engineer, Electrical Section, Kovoov clarified (September 2005) that all the previous bills in respect of the connection were forwarded to the Medical College in time. The KSEB issued the bill pertaining to this connection to the Superintendent, IMCH for the first time in July 2005 claiming an amount of Rs 1.83 crore which included Rs 1.81 crore towards arrears including Rs 23.06 lakh towards interest on belated payment. The Superintendent, IMCH remitted Rs 2.08 crore during April 2006 to September 2006 towards final settlement of dues which included Rs 43.21 lakh as penal interest for belated payment.

Thus failure of the Superintendent, MCH, Kozhikode to pay the bills in time resulted in avoidable payment of Rs 43.21 lakh towards penal interest on belated payment of electricity charges.

The matter was referred to Government in September 2008; reply has not been received (October 2008).

HIGHER EDUCATION DEPARTMENT

4.3.2 Avoidable interest payment due to delayed remittance of Provident Fund contribution

Delay in remittance of the Provident Fund deductions made from the salary of employees into the Treasury Public account resulted in avoidable interest payment of Rs 10.63 crore.

The Calicut University has been maintaining Treasury Public (TP) Account* in Sub treasury, Tirurangadi from July 2000 (prior to this in District Treasury, Kozhikode) exclusively for transactions relating to the 'Calicut University Employees Provident Fund'. The General Provident Fund (Kerala) Rules are applicable to this Provident Fund (PF) also. According to sub rule 3 of Rule 15 of GPF rules the amount of PF contribution remitted to the Treasury would earn interest for the month, only if the remittance is made before the fifth day of the month. If the remittance is made on or after the fifth day of the month, interest would accrue only from the first day of the next month.

The University deducted the amount towards PF from the salary of the employees and delayed its remittance to the TP Account. This delay in remittance created a difference in the amounts of interest earned from the TP account and that allowed to the subscribers for their PF contributions. This

* Treasury Public Accounts are in the nature of savings bank accounts. According to Section 44 (i) of Appendix 3 to Kerala Treasury Code – Volume II, Heads of Aided Educational Institutions and Quasi Government Institutions are permitted to open Public Accounts for crediting the subscriptions and contributions collected by them towards Provident Fund accounts opened for the benefit of the employees.

resulted in a loss which needed to be compensated by the University by paying Rs 10.63 crore to PF subscribers up to May 2008.

In response to audit query, the University replied (August 2004) that the deductions towards PF was utilised for revenue expenditure due to paucity of funds consequent upon insufficient Government grant to meet the salary of the employees. When the matter was referred to Government, Government informed (February 2008) that the PF remittance had been streamlined to an extent and now the employees' contribution to PF was being remitted into treasury before the fifth of every month.

Thus, the University failed to mobilise and manage its funds optimally and was forced to utilise the PF contributions of the employees for its revenue expenditure which resulted in an avoidable interest payment of Rs 10.63 crore.

The matter was referred to Government in August 2008; reply has not been received (October 2008).

PUBLIC WORKS DEPARTMENT

4.3.3 Avoidable expenditure on construction of two additional piers for a Rail Over Bridge

Failure of Public Works Department to comply with the specification of the Railways resulted in construction of two additional piers at a cost of Rs 32.26 lakh.

As per the existing norms for the construction of Rail Over Bridge (ROB), the rail portion is to be constructed by the Railways whereas the road portion and the approaches by the Ministry of Road Transport and Highways (MORTH). In a meeting between the Secretary, MORTH and Member (Engineering), Railway Board on 2 May 2003, it was decided that the Railways should bear the cost of construction of the bridge portion and MORTH, the cost of the approaches irrespective of land boundaries. MORTH sanctioned (December 2004) the work 'construction of immediate approaches to Edappally ROB at Km 437/375 of NH 17 including 280.80 metre long viaducts* on either side' at a cost of Rs.14.25 crore. The work included a 21.6 metre viaduct of 13 spans with 12 piers on either side. The bridge over the rail portion had already been arranged by the Railways on the basis of a design approved by the Public Works Department (PWD) (November 2001) which provided for a span length of 14.2 metre.

The road portion of the work which consisted of the approaches and viaduct was awarded to a contractor for Rs.15.49 crore on 25 August 2005 to be completed in 24 months. During execution, it was found that the piers constructed by Railways would not be able to take the load of the 21.6 metre long span. The Railways expressed inability (November 2004) to revise the design of the pier as it had reached the trestle beam# level and any deviation would lead to contractual obligations. Therefore, the design of the pier was

* A long bridge like structure carrying a road or railway line

A frame work consisting of a horizontal beam supported by two piers of sloping legs used in piers to support a flat surface

revised by the PWD by providing two additional piers at an estimated cost of Rs.32.26 lakh.

While designing the span of the viaduct in July 2004, the PWD should have taken into consideration the specification of the span and pier of the bridge portion already approved by them in November 2001. Failure to do so resulted in extra estimated liability of Rs.32.26 lakh on construction of two additional piers.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

4.3.4 Extra expenditure due to change in design of foundation

Against the terms and conditions of the contract the department permitted the contractor to revise the design of the foundation from well to pile foundation resulting in extra expenditure of Rs 32.09 lakh.

Superintending Engineer, Roads and Bridges, Central Circle, Aluva concluded (February 2005) a contract with a contractor firm selected on the basis of open tender for the work of 'Construction of a bridge at Nechoorkadavu across Muvattupuzha river' in Ernakulam district. The contract value was Rs 4.24 crore including a tender premium of 18.70 *per cent* over the estimated amount. The foundation proposed was Reinforced Cement Concrete (RCC) wells as per design prepared by the Design, Research, Investigation and Quality Control (DRIQ) Board. While casting, the well curb at pier point P3 tilted about 1.20 metre on 9 March 2006 due to failure of the island formed by the contractor. Therefore, the design of the well foundation of two pier points P3 and P4 were changed (December 2006) to pile foundation at the instance of the contractor. No approval of DRIQ Board was obtained for the changes. The period of contract was also extended from 17 February 2007 to 31 March 2008. The contractor firm completed the foundation and started the work of superstructure by January 2008. Part payment amounting to Rs 2.24 crore was made to the contractor. The changes resulted in extra expenditure of Rs 32.09* lakh being the difference in cost of construction of well and piles foundation (Rs 20.65 lakh) and cost of construction and removal of abandoned wells (Rs 11.44 lakh).

Records (April 2007) revealed that the island formed by the contractor was not strong enough to withstand the flow regime condition and vertical load of the well curb and hence the curb tilted. As per the contract conditions, forming island and its maintenance without damage till the completion of well formation was the duty of the contractor. Hence the contractor's rate included cost for taking the precaution required to keep the island intact. For this the contractor has to form the island sufficiently strong to complete the operation. But the Department permitted the contractor to revise the design of the foundation thus entailing an extra expenditure to the tune of Rs 32.09 lakh and thereby benefiting the contractor against the terms and conditions of contract.

The SE stated that the island formation was not an incidental item of work and the failure of the island was due to the rise of water level in the Muvattupuzha

* Figures furnished by the department

river on account of sudden release of water from Moolamattom Power House. The reply cannot be accepted because the water released from power house was being stored at Malankara dam for the irrigation purpose by Muvattupuzha Valley Irrigation Project and as per contract conditions the contractor was responsible for construction and maintenance of the island till completion.

Thus by admitting the contractor's request for revised design for pile foundation of two piers, Government had to incur avoidable expenditure of Rs 32.09 lakh.

The matter was referred to Government in February 2008; reply has not been received (October 2008).

4.3.5 Extra liability due to arrangement of work based on incorrect sub soil data and estimate

Execution of supplementary agreement disregarding contract conditions resulted in undue benefit to the contractor to the tune of Rs 1.42 crore.

The Superintending Engineer (SE), Roads and Bridges North Circle, Kozhikode awarded (October 2004) the work 'construction of a causeway (submersible bridge) across Thoothappuzha at Ettakkadavu in Palakkad District' at 17.99 *per cent* below estimate cost of Rs 3.50 crore at 1999 Schedule of Rates (SOR). The proposal was for open foundation for a depth of 3.6 metre below the river bed as the availability of hard rock was anticipated at 3 metre below bed level. During execution it was found that open foundation was not possible since hard rock was not available up to 8 metre depth. So the contractor requested (January 2005) to revise the type of foundation to well foundation and revision of rate was as per 2004 SOR. The SE revised the estimate to Rs 5.95 crore at 2004 SOR with well foundation which was accepted by Government in April 2005. The proposal of causeway was changed to high level bridge in the revised estimate. A Supplemental agreement was also concluded (November 2005) for extra item with the contractor as the Government ordered to execute the work by the same contractor. The Chief Engineer revised (September 2006) again the estimate to Rs 8.03 crore in order to include an unrelated road work alongwith this work. The contractor had completed 80 *per cent* of the work and had been paid Rs 1.70 crore as of March 2008. Though the road work included in this work stood completed yet the land acquisition for the approach road of the bridge was not completed.

According to the conditions of contract, the rates for extra item shall be arrived at based on the current departmental data rate at the time of ordering the extra item after applying tender deduction. However, as the tender percentage of 17.99 below the estimate had not been incorporated in the supplemental agreement, the contractor would get an undue benefit of Rs 1.42 crore of which Rs 30.63 lakh had already been passed on to the contractor.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

TRANSPORT DEPARTMENT

4.3.6 Unfruitful expenditure on purchase of equipment for ‘Speed Tracer’

Speed Tracer purchased in March 2006 to enforce provisions of Motor Vehicles Act were idling due to in-built defects and expenditure of Rs 81.93 lakh incurred on it became unfruitful.

Under ‘Modernising Government Programme’, the State Government accorded administrative sanction (February 2006) for Rs 2.09 crore for implementation of an activity – Safety Consideration in Road Transport. In order to enforce strictly the laws relating to Motor Vehicles Act such as driving, use of headlight, overload, etc., it was decided by the Transport Commissioner to purchase six Toyota Qualis vehicles to customize as ‘Speed Tracer’ by providing Laser based Speed Video System, VHS recorder, colour LCD Monitor, etc.

The Departmental Purchase Committee (DPC) decided (March 2006) to purchase six Tata Indigo Motor Cars as against Toyota Qualis as production of Qualis brand of the vehicles had stopped. The DPC also recommended for purchase of six numbers each of laser based Speed Video System with Colour Digital Video Camera, DVD Recording and playback equipment with remote control and Colour Video LCD Monitor from M/s Turbo Consultancy Services Private Limited, New Delhi which quoted the lowest rate of Rs 78.78 lakh including price of the equipment, installation and training charges, etc. Government issued orders (March 2006) for purchase of six Tata Indigo Cars under DGS & D rate contract at a cost of Rs 24.88 lakh from Tata Motors, Kochi and equipment for Rs 81.93 lakh (including tax) from M/s Turbo Consultancy Services, New Delhi. The cars and equipment were received in March 2006 itself.

The cars were distributed to five Regional Transport Offices (RTO) and mobile squad of the Transport Commissioner in June 2006. However, the speed detecting devices were not distributed to these offices along with the vehicles as there were some faults with the equipment and also due to delay in getting the equipment fitted in the vehicles. After rectification of defects and installation of the equipment in the vehicles, the vehicles were again distributed in April 2007.

Scrutiny of records (February 2008) of the Transport Commissioner revealed that none of the vehicles was utilised for the purpose intended as the equipment fitted in all vehicles became faulty when put to use. It was found that the RTOs were using the cars for other purposes after removing the speed radars. Though in the meeting held (October 2007) by Transport Commissioner it was decided to get the equipment repaired, no follow-up action was taken. There was lapse on the part of the Department in purchasing the equipment before ensuring their quality. There were also complaints from the RTOs that the training given to the staff for operating the system was inadequate. Thus the equipment purchased in March 2006 to enforce provisions of Motor Vehicles Act were lying idle due to defects and the expenditure of Rs 81.93 lakh incurred on it became unfruitful. Besides, the

purpose of detection of overspeeding vehicles for ensuring road safety was not served.

The matter was referred to Government in June 2008; reply has not been received (October 2008).

WATER RESOURCES DEPARTMENT

4.3.7 Extra liability due to unnecessary provision of copper sheet

Provision of copper sheet in the construction of barrels of aqueducts/flumes disregarding IDR B's directions resulted in extra liability of Rs 53.26 lakh, of which Rs 25.34 lakh had already been paid.

The Irrigation Design and Research Board (IDRB) an agency under Irrigation Department is responsible for the design of irrigation structures costing more than Rs 30 lakh. Accordingly IDRB designed various structures of Idamalyar Irrigation Project (IIP). As per the approved design, the barrels of the aqueducts/flumes were to be constructed without any joints between bed-slab and sidewall. However, the estimate of some works of construction of aqueducts/flumes included provision for usage of copper sheet of 16 mm thickness and 30 cm width on both sides and throughout the length of the barrel. The usage of copper sheet in between the bed-slab and sidewall for these works were included terming that portion as 'construction joints'. But as per the design approved by IDRB the structure should be constructed as a single block without any joints. Further in the construction of barrels of aqueducts/flumes of other similar irrigation project, Muvattupuzha Valley Irrigation Project, the copper sheets were not used. Audit scrutiny of the works executed by IIP Division I, Angamaly revealed that an estimated amount of Rs 53.26 lakh had been provided for usage of copper sheet out of which Rs 25.34 lakh had already been paid in respect of four works as detailed below:

Sl. No.	Name of work	Quantity in metre		Rate per metre (Rs)	Agreement number	Extra expenditure (Rs in lakh)	
		Estimated	Actually paid			Based on estimated quantity	Actual payment made so far
1.	Low Level Canal (LLC) - Constructing C.C.Channel and aqueduct from chainage 80 m to 715 m	1,425	1,057	1,206	SEPCP3/ 2000-01	17.19	15.06
2.	LLC - Constructing aqueduct from chainage 2700 m to 3463 m	1,526	30.1	1,206	SEPCP1/ 2000-01	18.40	0.33
3.	LLC - Constructing aqueduct chainage 9000 m to 9525 m	1,011	573.80	1,155	SEPC4/ 2000-01	11.68	6.63
4.	Main canal - Constructing main canal from chainage 9000 metre to 10060 metre including aqueduct	240	179.40	1,850	SEPC3/ 2003-04	5.99	3.32
Total						53.26	25.34

Thus the construction of aqueducts/flumes using copper sheet between the joints contrary to the approved design of joint free structures by IDRB resulted in extra liability of Rs 53.26 lakh of which Rs 25.34 lakh had already been paid.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

4.3.8 Extra expenditure due to revision of design without the approval of IDRB

Decision to deviate from the approved design for construction of flood bank by the CE (Projects I) and extending the scope of work of bank connection to Regulator-cum-Bridge resulted in extra expenditure of Rs 8.50 crore.

The Irrigation Design and Research Board (IDRB), designed the flood bank of Regulator-cum-Bridge (RCB), Thrithala across the river Bharathapuzha. IDRB also approved a design (9 February 2004) for bank connection* for the RCB as reinforced cement concrete founded on concrete piles of one metre diameter. The works of bank connection and flood bank were awarded to the same contractor for an amount of Rs 5.48 crore and Rs 4.52 crore in May 2005 and in November 2005 respectively. The works were completed in October 2006 and March 2007 at a cost of Rs 7.47 crore (bank connection) and Rs 5.98 crore (flood bank) respectively.

Audit scrutiny revealed the following:-

- Without obtaining sanction from Chief Engineer (Design), IDRB the Chief Engineer (CE) (Projects I) deviated (December 2005) from the original approved design of the earthen embankment for the flood bank, to a cement concrete retaining wall on the plea that more land was necessary for earthen embankment and there might be sinkage of earthen embankment due to displacement of clay beneath the embankment at the time of drawing down water from the regulator. Earlier IDRB had rejected the proposal of the CE (Projects I) to change the earthen embankment to cement concrete wall twice in June and August 2000 considering it unsafe as per the prevailing sub-surface soil conditions. Moreover, the contention of CE (Projects I) regarding the land requirement was also not correct as the FRL# was reduced to 13 metre above MSL& and the land acquisition was stalled in October 2004. This change in design resulted in extra expenditure of Rs 1.46 crore.
- In addition, the CE (Projects I) had also extended the bank connection upstream up to a length of 144 metre on left bank and 132 metre on right bank instead of 7.30 metre each on both sides of the river proposed earlier (as per the original design) by the Executive Engineer of the Division concerned to protect the bank and a graveyard. The design for bank connection was provided with a length of 139.20 metre downstream side of the river though the original design did not provide for it. In fact, there was no necessity of providing bank connection to downstream side of the river as this was to connect the flood bank to the abutment of RCB. The extra expenditure incurred on extension of the bank connection beyond 7.30 metre on upstream and downstream sides was Rs 4.16 crore and Rs 2.50 crore respectively.
- Though there were no mention in the tender schedule or in the agreement that the contractor would be paid extra for removing wood log and boulders met with in the boreholes during piling work for bank connection,

* a structure to connect the flood bank to the abutment wall of RCB on both sides.

Full Reservoir Level

& Mean Sea Level

Rs 0.38 crore was paid extra to the contractor for the purpose. This was an undue benefit to the contractor as the contract rate included the charges for removing the obstacles in the tender conditions (Notice Inviting Tender).

Thus, the action of the CE (Projects I) in providing concrete structures instead of earthen embankment for the flood bank, extension of bank connection and making payment for the removal of wood log and boulders as extra item resulted in extra expenditure of Rs 8.50 crore*.

The matter was referred to Government in August 2008; reply has not been received (October 2008).

4.4 Idle investment/Idle establishment/Blockage of funds

FOREST AND WILD LIFE DEPARTMENT

4.4.1 Idle investment on land and blocking up of funds released for Gandhi Smrithivanam Project

Failure to acquire the land required for 'Gandhi Smrithivanam Project' resulted in idle investment of Rs 77.99 lakh on part of the land acquired besides blocking up of Rs 70.86 lakh with the District Collector, Alappuzha.

Mention was made in Paragraph 3.5.3 (ii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil) about the non-implementation of 'Gandhi Smrithivanam Project' sanctioned in 1994 despite release of Rs 1.54 crore by the Forest Department to the District Collector (DC), Alappuzha for land acquisition. During examination of the paragraph the Committee on Public Accounts was informed by the Government that the DC, Alappuzha had acquired 410.95 acres of land and Rs 51.42 lakh was spent by DC as per Government orders (March 1999) for the purchase of 1.02 acres of land and building owned by Small Industries Service Institute, Government of India at Kommady in Alappuzha to house the Administrative Office of the Project. Only Rs 24.24 lakh was available with the DC for balance land acquisition. The Committee on Public Accounts (2001-2004) in its Forty-fourth Report presented to the Legislature on 19 February 2003 viewed with extreme dissatisfaction the failure on the part of the Department to achieve any remarkable progress in the implementation of the project and suggested that the Department should interact frequently with the representatives of the District/Block/Grama panchayats and social organisations for the successful completion of the Project. It also urged that no more diversion of funds should be effected for any purpose not directly related to the project.

In November 2005, an additional amount of Rs 45 lakh was released to the DC, Alappuzha for completing the land acquisition. According to the Assistant Conservator of Forests, Social Forestry Division, Alappuzha (April 2007) the total land acquired for the project was 414.82 acres (cost: Rs 77.99 lakh) and

* Change in design of flood bank - Rs 1.46 crore; Extension of bank connection on upstream and downstream - Rs 6.66 crore and Cost of extra item – Rs 0.38 crore

the total expenditure incurred on the project was Rs 1.30 crore. No further acquisition of land took place due to resistance of land owners in some stretches and the balance of Rs 70.86 lakh (including interest of Rs 1.62 lakh) was retained by the DC for three to nine years. The land so far acquired was not taken over by the Forest Department as the land was scattered in bits and pieces and part of land acquired was lying under water. Up to this time the Revenue Department had also not completed the survey and demarcation as required.

Government, however, ordered (June 2008) to hand over 100 acres out of the acquired land to IT Department for setting up an IT park.

Thus, even after 14 years since the sanction of the project, the entire land (600 acres) required for the project could not be acquired and the investment of Rs 77.99 lakh on the already acquired land (414.82 acres) remained idle. Besides, Rs 70.86 lakh of the project fund remained unutilised with the DC, Alappuzha.

Government stated (August 2008) that the delay in implementation was due to problems in acquisition of land and was not wilful but due to administrative reasons. Government further added that a new requisition for acquisition of the balance land had already been sent (January 2007) by the Additional Principal Chief Conservator of Forests, Social Forestry to the District Collector, Alappuzha and the Project would be implemented in a time bound manner. The reply cannot be accepted because Government had not taken any fruitful action for completion of the project despite recommendations (February 2003) of the Committee on Public Accounts and the project is languishing for the past 14 years.

INDUSTRIES DEPARTMENT

4.4.2 Tardy implementation of a scheme to promote coir geo-textiles

Failure to effectively monitor the Geo-Textile Development Programme by the Geo-Textile Cell constituted for the purpose resulted in tardy implementation and non-utilisation of Rs 2.24 crore earmarked for it.

Government approved the Geo-Textile Development Programme (GTDP) in March 2000 at an estimated cost of Rs 8.65 crore, of which Government would contribute Rs 6.75 crore and the balance Rs 1.90 crore would be contributed by the agencies. The programme was to be implemented by the Kerala State Co-operative Coir Marketing Federation Limited (COIRFED) and Kerala State Coir Corporation Limited (KSCC). Geo-textile Cell constituted at the Directorate of Coir Development was the monitoring agency of the programme and Rs 72.50 lakh and Rs 50 lakh were released to COIRFED and to KSCC respectively during 1999-2000.

At the instance of Government, the Director of Coir Development submitted comprehensive proposals for development of Coir industry using the Special Package assistance at Rupees five crore (September 2002). The proposals comprised seven components which included additional funds for GTDP sanctioned in March 2000. State Government issued administrative sanction

for this package in February 2003 to be implemented through three agencies COIRFED, KSCC and Foam Mattings (India) Limited (FOMIL) and ordered that the disbursement of funds to the implementing agencies would be on reimbursement basis. Contrary to this Government released Rs 4.19 crore to these agencies during 2002-05 for implementation of various components of the scheme. With this, the total amount released to the agencies was Rs 5.42 crore (COIRFED: Rs 1.65 crore, KSCC: Rs 3.12 crore, FOMIL: Rs 0.65 crore). The amount utilised by the three implementing agencies was Rs 3.18 crore. Thus Rs 2.24 crore remained unutilised as of March 2007 with the agencies viz., COIRFED: Rs 0.65 crore, KSCC: Rs 1.12 crore, FOMIL: Rs 0.47 crore.

No evaluation was conducted by the Department to assess the performance of various projects undertaken in this field/area as the Geo-textile cell could not function properly due to absence of qualified trained officers in this field, who are required to do physical verification. A State level Advisory Committee for research and development was established in May 2007 under the National Coir Research and Management Institute (NCRMI) for formulating necessary guidelines and sanction relevant schemes for coir geo-textiles. It was also decided (May 2007) to transfer the unutilised portion of the funds with the implementing agencies to the Directorate and to keep it as a separate fund. Accordingly, KSCC and FOMIL refunded (July 2007) Rs 1.05* crore and Rs 42# lakh respectively and the funds were parked at NCRMI as the Director of Coir Development did not have a bank account. The Director also informed (April 2008) that COIRFED had been instructed to refund the unspent balance (Rs 64.63 lakh) to NCRMI.

Thus the failure of the Department to effectively monitor GTDP due to improper functioning of Geo-textile Cell resulted in tardy implementation of the programme and non-utilisation of Rs 2.24 crore earmarked for it.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

HEALTH AND FAMILY WELFARE/TRANSPORT DEPARTMENT

4.4.3 Non-utilisation of Central assistance

Central assistance of Rs 4.05 crore released for implementation of four schemes could not be utilised for the past three years due to delay in implementation of schemes.

Government of India (GOI) released Rs 4.05 crore as Central assistance for the implementation of four^s schemes during 2004-05 and 2005-06. But the amount remained unutilised due to delay in implementation of schemes as detailed below:

* Excludes Rs 7.29 lakh retained by KSCC

Excludes Rs 4.29 lakh retained by FOMIL to meet past commitments

^s Case 1. Procurement of equipment under National Cancer Control Programme; Case 2. Grant-in-aid to State Government under Centrally Sponsored Scheme 'State Model Institute of Homoeopathy'; Case 3. Establishment of Trauma Care Unit at District Hospital, Mananthavady; Case 4. Setting up of 'Training Institute on Driving and Research'.

HEALTH AND FAMILY WELFARE DEPARTMENT

Case 1. GOI sanctioned (March 2005) Rs 1.20 crore to Medical College, Thrissur, as a one time grant-in-aid under National Cancer Control Programme for procurement of various equipment during 2004-05. The amount received in April 2005 was deposited in the current account in State Bank of Travancore, Wadakkanchery Branch in May 2005. The purchase order for procurement of equipment was to be placed within 60 days from receipt of the grant preferably within the same financial year and in case of failure to complete the assignment, the entire grant was to be refunded to GOI forthwith.

The State Government accorded sanction (March 2007) for the purchase of 'Micro selectron HDR* after loading unit alongwith Plato 3D Treatment Planning System' through Nucletron India (Pvt) Limited, Chennai for Rs 1.20 crore on the condition that payment should be effected only after supply, installation and successful trial run of the equipment as stipulated in the tender documents. When supply order was issued in April 2007, the firm demanded (May 2007) 90 per cent payment against receipt of shipment documents and the balance 10 per cent on installation. Government accepted the payment conditions in April 2008 after a lapse of 11 months. The Principal, Medical College, Thrissur again took up (May 2008) the matter with the Director of Medical Education for issue of a revised purchase sanction as the earlier one was for purchase during 2006-07. Further developments were awaited.

Case 2. GOI released (August 2004) Rupees one crore as grant-in-aid to the State Government under the Centrally sponsored scheme 'State Model Institute of Homoeopathy' for the Government Homoeopathic Medical College, Thiruvananthapuram (GHMCT). Government accorded (March 2006) sanction for construction of an Auditorium-cum-Seminar hall at GHMCT and the Principal released Rs 70 lakh earmarked for capital works to the Executive Engineer, Special Buildings Division, Thiruvananthapuram. PWD had not commenced the work (January 2008) eventhough the amount was deposited as early as in April 2006. It was decided (April 2008) by the Principal in consultation with the Executive Engineer to construct a Seminar hall, a dormitory and short stay rooms with sufficient toilet facilities over the terrace of the existing hospital building at an estimated cost of Rs 70 lakh. Revised sanction from Government had not been obtained/awaited (August 2008). Only Rs 9.56 lakh had been utilised as of March 2008 towards purchase of equipment. However it was further observed that utilisation certificate for Rs 79.56 lakh was furnished to GOI (July 2006), though Rs 70 lakh remaining unutilised for the project with the deposit account of the Executive Engineer.

Case 3. State Government provided Rs 85 lakh in July 2005 for establishing a Trauma Care unit at District Hospital, Mananthavady in Wayanad District by utilising Additional Central assistance received in 2004-05 for the improvement of hospitals in the State. In November 2005, Government entrusted the work to Kerala Health Research and Welfare

* High Dose Rate

Society (KHRWS) to be supervised by the District Collector, Wayanad. The Superintendent of the hospital transferred Rs 25 lakh (out of Rs 85 lakh) in March 2006 to the account of the KHRWS at the State Bank of Travancore, Mananthavady. The work awarded to a contractor in March 2006 did not commence due to delay in demolition of an old building at the site. So the balance amount of Rs 60 lakh could not be utilised during 2005-06 and remained as unsurrendered saving. The District Medical Officer of Health, Wayanad directed KHRWS to stop all the works relating to the Trauma Care unit (December 2006). Thus, Additional Central assistance of Rs 85 lakh received during 2004-05 could not be utilised. Further, Rs 25 lakh released to KHRWS in March 2006 remained unutilised in a Public Sector Bank.

Government stated (June 2008) that the concrete work for the two storied building had been completed by KHRWS and for completion of the remaining work, additional funds would be provided in the next Supplementary Demands for Grants. The reply is not acceptable as the Trauma Care Unit could not be established even after three years of release of Additional Central assistance for the purpose.

TRANSPORT DEPARTMENT

Case 4. GOI accorded sanction (August 2004) for setting up of 'Training Institute on Driving and Research' (Institute) at Edappal at a cost of Rs 6.64 crore with Central assistance of Rs 2.99 crore. GOI released (September 2004) Rs 0.50 lakh to Central Institute of Road Transport (CIRT), the consultant to provide assistance for execution of the project and Rs 99.50 lakh to the State Government. The Transport Commissioner deposited the amount of Rs 99.50 lakh in Savings Bank account in a nationalised bank in September 2004. State Government approved (July 2006) the Memorandum of Association of the Institute and the Institute was registered in October 2006 under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. The Transport Commissioner also transferred Rs 85 lakh out of State funds (March 2007) to the Institute for development of infrastructure facilities and the Institute deposited the amount in TSB account. Government further ordered (February 2008) to lease out 25 acres of land belonging to Kerala State Road Transport Corporation (KSRTC) at Edappal for 99 years to the Motor Vehicles Department for setting up the Institute. However, even the preliminary works for setting up the Institute has not been started.

Government in reply to audit stated (August 2008) that the Institute which had now started functioning at Chevayur, Kozhikode could be shifted to the new building at Edappal within one year. The reply is not tenable in view of the fact that the Institute had not been set up even after release of Central assistance of Rupees one crore four years ago.

Thus, Central assistance of Rs 4.05 crore released during 2004-05 and 2005-06 for implementation of three schemes in Health and Family Welfare Department and one scheme in Transport Department could not be utilised due to tardy implementation of schemes.

Cases 1 and 2 were referred to Government in September 2008; replies have not been received (October 2008).

INDUSTRIES/PLANNING AND ECONOMIC AFFAIRS/FOREST AND WILD LIFE DEPARTMENT

4.4.4 Blocking up of funds with Government agencies

Failure to conduct proper feasibility study and lack of planning in implementation of scheme resulted in blocking up of State Government money of Rs 8.81 crore with the implementing agencies for the last two to four years.

The State Government released Rs 9.10 crore for implementation of three[#] schemes during 2004-05 and 2006-07. Scrutiny of records relating to the implementation of these schemes revealed that implementation of schemes did not progress as envisaged resulting in blocking up of Government funds as detailed below:

INDUSTRIES DEPARTMENT

(a) Government issued administrative sanction for implementing the scheme 'Market Oriented Product Development' for upgradation of technology, improvement of skills and enhancement of marketing of coir products at a cost of Rs 5 crore through six Government agencies* during March 2005. The Director of Coir Development drew Rs 5 crore and transferred it to the implementing agencies in March 2005. Government prescribed three to four months for implementation of various schemes. Since implementation of various schemes was tardy the agencies could spend only Rs 0.29 crore as of December 2007. The physical achievement was only in setting up of Wide Area Network in the Directorate, brand building for coir and obtaining ISO certification. The schemes were finalised by the Department without conducting any feasibility/pilot study or the availability of the required machines, almost all the schemes have to be revised or alternative schemes introduced during time to time. Thus the scheme to upgrade technology, improve skills and enhance marketing of coir products could not be implemented and Rs 4.71 crore was blocked up with the implementing agencies for more than three years.

The matter was referred to Government in June 2008; reply has not been received (October 2008).

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

(b) Government accorded sanction (March 2005) for setting up of a unit on 'Local Self Government Studies and Research' in the Centre for

[#] 'Market Oriented Product Development in Coir Sector', 'Setting up of a unit on Local Self Government Studies and Research' and 'Pythalmala Eco-tourism Project'

* Centre for Development of Coir Technology (C-DOCT): Rs 1.40 crore; Foam Mattings (India) Ltd. (FOMIL): Rs 0.79 crore; Kerala State Coir Corporation (KSCC): Rs 0.79 crore; Kerala State Co-operative Coir Marketing Federation (COIRFED): Rs 1.04 crore; Kerala Coir Workers Welfare Fund Board (KCWWFB): Rs 0.94 crore; Kerala State Electronics Development Corporation (KELTRON): Rs 0.04 crore.

Development Studies (CDS),’ with the objective of promotion of research, capacity building and usage of research findings to support local level development through Local Self Governments. The project was to be financed by grants (Rs 8 crore) from State Government for the first four years from 2004-05 at Rs 2 crore each year and funds (Rs 3.50 crore) mobilised from other funding sources*. From the fifth year the programme was to run on a self-sustainable basis without any external support.

Government released Rs 1.70 crore in March 2005 and Rs 2 crore in March 2007 towards the first and second instalments of its committed share. CDS did not start the project as envisaged in the proposal on the plea that non-release of second instalment by Government during 2005-06 had caused some uncertainty in the functioning of the unit. CDS had with it Rs 2.50 crore in the corpus fund up to 2005-06, including Rs 0.80 crore being the unspent balance of the erstwhile Kerala Research Programme on Local Level Development and hence CDS could not start the project as envisaged. It was only after the release of the second instalment of Rs 2 crore that CDS took the initiative to recruit faculty members and commence research and other related activities. As against the expenditure of Rs 2.51 crore to be incurred on faculty and projects for the four years up to 2007-08, the expenditure incurred was only Rs 7 lakh. Despite all efforts implementation of the programme could not progress as envisaged.

Government stated (September 2008) that the major activity was ‘action research project’ for which priority sectors in ten panchayats had been identified and started implementation from 2006-07. The reply is not acceptable as the objective of setting up the unit for promotion of research has not been fulfilled even after three years of release of funds to CDS.

FOREST AND WILD LIFE DEPARTMENT

(c) Government sanctioned (February 2005) the Pythalmala Ecotourism Project at a cost of Rs 60 lakh under ‘Integrated Development of Northern Region Tourism Circuit in Kerala’ to be completed by December 2005. The Director of Tourism released (March 2005) Rs 40 lakh to the Director of Ecotourism to credit the amount in the Bank account of the Chief Executive Officer, Thenmala Ecotourism Promotion Society (TEPS) for making payment to Forest Development Agency (FDA), Kannur, the implementing agency.

The Director of Ecotourism accorded sanction to the FDA, to execute the works, namely, camping area, trekking routes, fixing of metal and wooden sign boards, water supply arrangements, etc., at a cost of Rs 48.50 lakh and released (August 2005) Rs 14.99 lakh to the FDA, on the condition that work should be completed before 31 December 2005. The FDA, deposited (October 2005) the amount in their Bank Account along with their own funds. Out of 22 works costing Rs 48.50 lakh, only 6 items of work costing Rs 5.57 lakh were tendered (February 2007) by FDA. None of these activities could, however, commence due to non-participation of contractors in the tender except for a small stretch of trek path costing Rs 0.40 lakh. Further the Divisional Forest Officer, Kannur stated (December 2007) that construction

* Such as Indian Council of Social Science Research, Ministry of Rural Development, GOI and International Organisation like the UNDP.

work could not be commenced due to non-completion of a road by Public Works Department leading to the worksite. Thus the Eco-tourism project sanctioned in February 2005 had not been completed even after three years and Rs 39.59 lakh sanctioned for the same remained blocked in the bank accounts of TEPS (Rs 25 lakh) and FDA (Rs 14.59 lakh).

The matter was referred to Government in July 2008; reply has not been received (October 2008).

Thus, taking up of project without conducting proper feasibility study coupled with lack of planning in implementation of schemes resulted in blocking up of Government money of Rs 8.81 crore.

4.5 Regularity issues and other points

AGRICULTURE DEPARTMENT

4.5.1 Ineffective implementation of the Central scheme for control of mite infestation

Failure of the Department to effectively implement the Central scheme to control mite infestation resulted in unutilised balance of Rs 12 crore released by the Coconut Development Board in February 2001 which had been refunded to the Board after six years.

Government of India (GOI) released Rs 24.25 crore (February 2001) to the Coconut Development Board (Board) for controlling Eriophyid mite in the coconut gardens of Kerala. The Board, in turn, released the entire amount to State Government. The assistance was intended to meet 50 per cent of the cost of chemicals with maximum amount of Rs 8 per palm[#] for carrying out three rounds of spraying in about 3.12 crore palms. Mention was made in paragraph 3.1.20 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Civil) about non-implementation of the scheme till the end of March 2003 despite release of funds in February 2001. Subsequently, Government accorded (March 2004) administrative sanction for taking up the third phase of the spraying operations covering 28 lakh palms and application of fertilizer at a total cost of Rs 47.76 crore[@]. As it was later found that the scheme could not be implemented with such huge contribution from farmers, Government issued (October 2004) revised administrative sanction for spraying operations in 30 lakh palms at a cost of Rs 14 per palm and distribution of fertilizer kit^{*} at a cost of Rs 14 per palm for four crore palms. The Director of Agriculture released Rs 9.40 crore and Rs 3.55 crore during 2003-04 and 2004-05 respectively to Kerala State Warehousing Corporation (KSWC) and Kerala Agro Industries Corporation (KAICO), the implementing agencies for the scheme. In September 2005 Government enhanced the target of spraying to one crore palms.

[#] Palm refers to coconut palm.

[@] State's share: Rs 2.38 crore, Central assistance: Rs 23.03 crore and Farmers' share: Rs 22.35 crore.

^{*} The kit contains Urea, Super phosphate and Murate of Potash.

Scrutiny (December 2007) revealed the following lapses in execution of the scheme:

- Though GOI assistance was released for spraying in 3.12 crore affected palms, the target fixed by State Government was only for 30 lakh palms which was further enhanced to 100 lakh. The actual achievement was only 99.34 lakh palms. Government stated (August 2008) that it was not necessary to enhance the target beyond 100 lakh palms because mite infestation had reduced due to two rounds of spraying already done earlier.
- The implementation of the scheme was slow due to lack of skilled labourers, adverse weather conditions, reluctance of farmers to bear their share, financial constraints to provide matching State share, etc., and hence the unutilised balance of Rs 12 crore was refunded to the Board in March 2007 and September 2007.
- The sprayers purchased by KSWC and KAICO costing Rs 37 lakh had not been returned to the Department despite instructions to do so.
- Even before getting specific direction from Government, for purchase of fertilizer kits, KSWC purchased 1850 MT of urea costing Rs 93.31 lakh in February 2005. As the distribution of fertilizer kits was not taken up, the urea held in stock had already started oozing out and degraded to lump form due to prolonged storage. Government stated (August 2008) that KSWC had been directed to refund the amount utilised for purchase of urea.
- KSWC and KAICO had also spent Rs 63.32 lakh on non-approved items such as insurance premium, handling charges, transportation, supervision, etc.

Thus failure of the Department to effectively implement the Central scheme to control the mite infestation due to decrease in fixing of target, non-implementation of the fertilizer package, slow implementation, etc., resulted in unutilised balance of Rs 12 crore released by the Board during 2001 eventually refunded to the Board after a gap of six years.

4.5.2 Non-utilisation and diversion of Central assistance meant for Micro Irrigation project

Central assistance of Rs 31.61 crore released in March 2006 for Micro Irrigation remained unutilised and State Government saved Rs 1.51 crore towards interest on advance/overdraft consequent upon transfer and retention of unutilised central funds in Government accounts during 2007-08.

Government of India (GOI) released (March 2006) the Central share of Rs 32 crore for the Centrally Sponsored Scheme on Micro Irrigation directly to the Principal Agricultural Officers (PAOs) of the 14 Districts. The Director of Agriculture instructed (June 2006) the PAOs to keep the amount initially in the bank account maintained for another scheme on 'National Watershed

Development Programme for Rainfed Areas’ (NWDPPRA) until sanction for opening separate bank account was obtained from State Government.

The State Government accorded administrative sanction (September 2006) for implementation of the scheme. The Director of Agriculture sought permission (November 2006) from State Government to open a separate account in nationalised bank to deposit Central funds received for ‘Micro Irrigation’ which were kept along with another scheme ‘NWDPPRA’. The State Government, however, did not give permission and directed (March 2007) the Director to credit the amount to State Government accounts before 31 March 2007 stating that the action of the Director in keeping Central funds of two different schemes together was irregular. Accordingly, the PAOs remitted (March 2007) the balance unspent amount of Rs 31.61 crore with them to the major head of account ‘1601 – Grants-in-aid from Central Government’. When the matter of crediting unspent Central assistance to the accounts of State Government was taken up by the Accountant General (A&E) with the Controller General of Accounts, it was clarified (July 2007) that the amount had to be refunded to GOI in case the funds could not be released to the implementing agencies. State Government ordered (April 2008) to return the money to the PAOs and accordingly demand drafts were issued to them for utilising them for the scheme. However, the entire amount remained unutilised (August 2008) and was retained as demand drafts by the PAOs pending sanction from Government for opening separate bank account.

Thus, the unspent Central funds were transferred and retained in State Government accounts during 2007-08 which helped in improving the ways and means position of the State Government. The interest thus saved on advances/overdraft during 2007-08 was Rs 1.51 crore*.

Thus, 98.8 *per cent* (Rs 31.61 crore) of the Central assistance released directly to the PAOs for ‘Micro Irrigation’ remained unproductive for the last two years and State Government saved Rs 1.51 crore during 2007-08 as interest on advances/overdraft by transferring and retaining the unutilised funds in Government accounts.

The matter was referred to Government in September 2008; reply has not been received (October 2008).

* On Rs 31.61 crore for 214 days at the average rate of interest of 8.15 *per cent* on ways and means advances and overdraft.

FINANCE DEPARTMENT

Kerala Infrastructure Investment Fund Board

4.5.3 Avoidable loss due to borrowing without requirement

Kerala Infrastructure Investment Fund Board could not provide advice for infrastructure projects since its inception. This resulted in procuring huge funds at higher interest rates and depositing them in savings bank account at lower interest rates at a loss of Rs 72.03 crore to state exchequer.

The Kerala Infrastructure Investment Fund Board (KIIFB) was constituted (November 1999) by the State Government to provide direct financial assistance to public sector undertakings and others for infrastructure projects. Mention was made in Paragraph 1.9.5 (ii) (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 and Paragraph 1.9.3 (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003, Government of Kerala (Civil) about the off-budget borrowing made by State Government through the Board by floating KIIFB Bonds Series I (Rs 507.06 crore), Series II (Rs 10.74 crore) and Series III (Rs 505.91 crore) at interest rates of 13.25, 10.50 and 11 *per cent* respectively during December 1999 - May 2003. The repayment of principal and interest on the bonds was guaranteed by the State Government at a commission of 0.75 *per cent* per annum. A further audit of the accounts of the Board revealed the following:

In addition to the initial contribution of Rs 75 lakh, Government released a grant of Rs 136.10 crore to the Board during 2000-04. Under the Kerala Infrastructure Investment Fund Act, 1999, Government formulated the Kerala Infrastructure Investment Scheme, 1999 under which long-term loans for infrastructure projects were to be sanctioned based on detailed project report and after executing loan agreement and implementation/performance contract by the loanee entity. The Board, however, did not receive any application for loan funds for creation of infrastructure. As there was no immediate requirement of funds for loan disbursement, the Board deposited the entire funds mobilised at high cost in the treasury special savings bank account at interest rate ranging from 6 to 13.75 *per cent* per annum earning an aggregate interest income of Rs 567.88 crore up to March 2007. Bonds issued under Series I and II were subsequently (December 2004/April 2005) redeemed by availing bank loan at 6.7 *per cent* and exercising the call option. As against interest income of Rs 567.88 crore, the Board had incurred a total bond related expenditure of Rs 639.34 crore towards interest on borrowings, guarantee commission, professional charge, credit rating fee, etc., besides Rs 0.57 crore towards administrative and other expenses, resulting in avoidable loss of Rs 72.03 crore.

Thus, the hasty action on the part of the Board in floating bonds anticipating requirement of loan assistance for infrastructure project ever since inception (1999) without proper assessment of requirement of funds resulted in avoidable loss of Rs 72.03 crore.

The Board stated (July 2007) that though it did not directly fund infrastructure projects, the funds mobilised and deposited in treasury were utilised by the State Government for various indirect infrastructure projects thereby meeting the objectives of the Board. The reply is not tenable since the action of the Board in raising substantial funds without a proper assessment of requirement and parking the said funds in the treasury facilitated indirect borrowing by the Government through the Board by issuing bonds. Further normal functions of Government cannot be considered as a substitute for the activities vested with an independent body formed under the Act with definite objectives.

Government stated (August 2008) that the fund was constituted with the good intention of accelerating the pace of industrial growth and development in the State but the Board could not achieve its objectives due to many reasons including the size of the fund, unfavourable investment climate in the State, non-availability of viable projects for investment, etc. The reply of Government is not tenable as the Board could not achieve its objective of providing financial assistance for infrastructure project despite mobilisation of huge funds at higher interest rates for the purpose.

4.5.4 Diversion of funds

The Treasury Department diverted Rs 54.43 lakh earmarked for Treasury Computerisation Programme for purchase of vans for the use of District Treasuries. The said expenditure was on a ‘New Service’ and required the sanction of the Legislature.

According to notes under Appendix 3 of the Kerala Budget Manual, purchase and maintenance of staff cars and other vehicles for office use should be classified under ‘Office Expenses’. In November 2007 the Director of Treasuries sent a proposal to Government for the purchase of Vans for conducting routine inspection of sub-treasuries, collection of imprest money for pension payment, etc. The Finance Department rejected (December 2007) the proposal on the ground that the financial position of the State was not conducive to the provision of vehicles for District Treasuries and further there was no budget provision in the current financial year for the purpose.

There was a plan provision of Rs 3.30 crore during 2007-08 under the head of account ‘2054-00-095-99 (19) Machinery and Equipment’ for Treasury Computerisation Programme towards payment of outsourcing charges, purchase of computers, Generator sets, computer and accessories for the newly opened Sub-treasury at Pulamanthol, etc. As the department could not finalise the purchase of Generator sets, computers and accessories till the end of the financial year, the Department anticipated savings under the above programme. Considering this, the Director of Treasuries sent the proposal for the purchase of vans on 14 March 2008, mentioning the difficulties experienced by the District Treasury Officers and Co-ordinators for rectifying the technical defects of computers installed in Sub treasuries. The Director also proposed that sufficient funds were available under ‘machinery and equipment’ and it was correct to classify the expenditure under this head. Based on this, Government accorded (27 March 2008) administrative sanction for the purchase of 24 Maruti Omni Vans (LPG) at an approximate cost of

Rs 58 lakh for the use of the District Treasuries in the State. The Director purchased the 24 Maruti Omni Vans at a cost of Rs 54.43 lakh debiting the expenditure to the above head of account.

It was noticed during audit examination that the provision for purchase of vans was not included in the budget, hence the expenditure would be classified as 'New Service'. As per the provisions of Kerala Budget Manual the expenditure can be incurred only after obtaining necessary funds through Supplementary Demands for Grants. Further, expenditure on purchase of car is a non-plan item, utilisation of Plan funds for non-plan purposes is irregular amounting to diversion of Plan funds for non-plan activities of the department.

It was further observed from documents that the Department had entered into an agreement with a private firm for implementation of 'Facility Management System for the maintenance of Treasury Information System' with effect from March 2006 at a cost of Rs 1.44 crore. Hence there was no urgent need for the District Treasury Officers and Co-ordinators for conducting frequent and urgent visit of sub-treasuries for rectification of defects of the computer system.

Thus the Department diverted Rs 54.43 lakh earmarked for Treasury Computerisation Programme for purchase of Vans for the routine use of District Treasuries. Besides the expenditure was on a 'New Service' not contemplated in the budget and hence required sanction of the Legislature before incurring any expenditure.

Government stated (July 2008) that the contention that Plan funds were diverted was not true as there was no component-wise earmarking of fund meant for computerisation. Government added that purchase of Vehicles was an integral part of the on-going treasury computerisation programme and hence expenditure thereon was not treated as 'New Service'. The reply is not tenable because the provision during 2007-08 for computerisation did not contemplate purchase of vans and therefore purchase of van from plan funds was an after thought and hence constituted 'New Service' resulting in diversion of funds.

GENERAL EDUCATION DEPARTMENT

4.5.5 Irregularities in accounting transactions and cash management in Kerala State Open School

Financial rules and procedures were not followed in Kerala State Open School which led to diversion of Rs 6.74 crore by SCERT, non-maintenance of accounts, non-adjustment or belated adjustment of advances and lack of prudent cash management.

Government approved (April 1999) establishment of the Kerala State Open School (KSOS) as a separate wing of the State Council of Educational Research and Training (SCERT), a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955, to give opportunities for continuing education to drop outs from schools and to

provide facility for private registration to students who do not get admission to Plus Two courses.

Scrutiny of the records of the KSOS revealed non-adherence to financial rules and procedures, mismanagement of cash, non-adjustment/belated adjustment of advances, etc. as detailed below:-

(i) During 2005-06 and 2006-07, receipts amounted to Rs 8.20 crore and Rs 7.10 crore respectively whereas the expenditure was Rs 3.15 crore and Rs 4.80 crore respectively. Neither separate accounts were prepared for KSOS nor the transactions were incorporated in the accounts of SCERT. Government stated (July 2008) that accounts of KSOS for 1999-02 had since been prepared and preparation of accounts for the years from 2002-03 was in progress.

(ii) SCERT diverted Rs 6.74 crore out of KSOS funds up to 31 March 2007 towards its expenditure on plan schemes as the grant-in-aid received from Government was less than its actual requirements. This had not been replenished so far. Government stated (July 2008) that sanction was issued for utilisation of Rs 1.29 crore from KSOS funds as a stop-gap arrangement for the training programme for Higher Secondary teachers and that the Director of Higher Secondary Education had agreed to settle the account shortly. But the reply of Government was silent on the balance amount of Rs 5.45 crore.

(iii) There was a closing balance of Rs 15.5 crore as on 31 March 2006, in savings bank accounts (Rs 7.5 crore) and current account (Rs 8 crore) kept by KSOS with State Bank of Travancore (SBT), Poojappura. On conversion of the current account on 10 April 2006 as savings bank account the balance (Rs 8.27 crore)* was transferred to savings bank account. Meanwhile on 5 April 2006, as against financial provision the Director opened a new savings bank account at Canara Bank, Thrivikramangalam branch in his own name and deposited Rs 2 crore by withdrawing the money from his joint account with the Finance Officer at SBT, Poojappura without any specific reason. Based on the decision (April 2007) of the Governing Body of SCERT, Rs 10 crore was deposited in June 2007 as Fixed Deposit (FD) for a period of one year in State Bank of India which carried an interest of 10 *per cent*. Had this amount along with Rs 2 crore held with Canara Bank been deposited in FD from April 2006 onwards, the interest that would have been additionally earned by KSOS would be about Rs 91 lakh for the period April 2006 to May 2007 calculated at the difference in interest rate of FD (10 *per cent*) and savings bank (3.5 *per cent*). Government stated (July 2008) that the amounts were retained in SB account as the requirement of funds for implementation of various schemes at short notice was not predictable.

(iv) KSOS had been disbursing the amounts in lumpsum to the implementing officials for various programmes as temporary advances. Article 99 of Kerala Financial Code stipulate that these advances should be settled within a reasonable time and in cases where unutilised amount had not been surrendered or adjustment bills not submitted in time, the entire amount of advance with interest at 18 *per cent* was recoverable from the recipients. During 2006-07, KSOS had disbursed temporary advances of Rs 4.41 crore in

* Included Rs 27 lakh credited to the account subsequently by way of various fees.

862 cases. Of this, in 854 cases refunds of excess advance of Rs 2.16 crore were made indicating that the temporary advances were made without any assessment, hence they were far in excess of actual requirements. In some cases, only part of the advance was settled and the balance retained by the officers for long periods. In the absence of a separate set of accounts for KSOS, the exact amount of unsettled advances could not be quantified. Government stated (July 2008) that action had been initiated to settle the balance amount of advances on a time bound basis and stringent action including levying of interest for delay in settlement was being taken.

Thus the funds collected and utilised by KSOS are not properly monitored by SCERT, though KSOS was formed as a separate wing, to ensure financial prudence. This has resulted in huge accumulation of unutilised balances in nationalised banks and diversion of a part of the funds for its own purpose by SCERT which was against the objectives/guidelines of the scheme.

INFORMATION TECHNOLOGY DEPARTMENT

4.5.6 Loss of rental income due to relaxation in leasing criteria

Relaxation in criteria adopted for leasing out area in 'VISMAYA' building of Infopark resulted in loss of Rs 1.86 crore towards rent for a period of three years from May 2005.

INFOPARKS, KERALA, a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 promoted by the Government of Kerala for IT infrastructure development came into being on 27 October 2004 with the transfer of 91.90 acres of land and assets thereon owned by Kerala Industrial Infrastructure Development Corporation Limited (KINFRA). INFOPARKS KERALA constructed another building 'VISMAYA' in October 2005 with a total area of 2,32,866 square feet space in eight floors (including ground floor). The ground floor of the building was leased out to five different firms. While calculating the leased portion of the ground floor area, lobby, toilets, corridors, stairs, etc were excluded from rent as 'common area' as they were utilised by all the tenants.

The entire first and fourth floors of the building was leased out to M/s.U.S.Technology and M/s. Wipro Limited respectively whereas the entire second and third floors was leased out to M/s. Affiliated Computer Services. In all the above cases common area which included toilet, lobby, corridors, etc., were included for calculation of leased area because the entire floor area was leased out to a single entity. But this criteria was not adopted in the case of M/s.Tata Consultancy Services (TCS) to whom the entire fifth, sixth and seventh floors were leased out for a period of five years from May 2005 @ Rs 16 per sq.ft. per month plus Rs 3.50 per sq.ft per month towards service charges. In the instant case, 'common area' of 26,550 sq.ft. which included lobby, toilets, corridors, etc., were excluded from calculation of lease rent to be paid by private institutions. Thus relaxation in criteria to fix leased out area in case of TCS resulted in loss of lease rent of Rs 1.86 crore for a period of three years from May 15, 2005 onwards.

Government stated (May 2008) that the TCS was the first major IT company of international repute to acquire space in the Infopark when the park was struggling to rent out the built up space and inclusion of the common area in the space leased out to TCS had to be considered in this context. As the other IT companies viz., ACS of India and Wipro had also entered into lease from May 2005 itself, at higher or equal rental alongwith lease rent for common area included in the amount to be paid by lessee there was no need for extending a concession or favour to TCS alone which had led to a loss of Rs 1.86 crore to auditee.

SOCIAL WELFARE DEPARTMENT

4.5.7 Non-operation of Social Security Fund

Social Security Fund created with Rs 65 crore could not give benefit to the disabled and destitutes for want of approval from Government for operation of fund and the money remained blocked in Treasury Savings Bank account.

Government constituted a Social Security Fund in 2002-03 with an initial corpus of Rs 25 crore for giving assistance to destitutes and their children staying as inmates of the welfare institutions under the Social Welfare Department, to the girls who leave the institution after getting married to start their livelihood, to the destitutes identified by Kudumbasree, etc. A further amount of Rs 40 crore was provided during 2004-05. Government approved the rules framed by the Director of Social Welfare for the operation of the Fund in December 2004 with two modifications viz., (i) the applicants should be selected by a committee headed by MLAs and (ii) there should be criteria to determine the number of beneficiaries in every district/constituency for disbursement of assistance.

In March 2005, on the instructions of Government the Director of Social Welfare deposited the entire amount of Rs 65 crore in an interest free Special Treasury Savings Bank (TSB) account in the District Treasury, Thiruvananthapuram. Subsequently in a meeting held (February 2006) in connection with utilisation of the fund it was decided that constitution of committees under the chairmanship of MLAs was not necessary as the beneficiaries were selected by Panchayat Committee and Kudumbasree workers. Revised rules for operation of the fund, forwarded to Government (September 2006) by the Director of Social Welfare had not yet (October 2008) been approved.

Thus, failure of the Government in finalising rules for operation of Social Security Fund constituted in 2002-03 resulted in denial of benefit to the destitute inmates of Government Welfare institutions besides non-utilisation of Rs 65 crore deposited in Treasury Savings Bank meant for the purpose.

The matter was referred to Government in April 2008; reply has not been received (October 2008).

General

4.5.8 Lack of responsiveness of Government to Audit

The Principal Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of offices inspected with a copy to the next higher authorities. 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 deficiencies, lapses, etc. The Heads of offices and the next higher authorities are required to report their compliance to the Principal Accountant General within four weeks of receipt of the IRs. Half-yearly reports of pending IRs are being sent to the Secretary of the concerned department to facilitate monitoring of the pending IRs.

At the end of June 2008, 6,247 IRs and 24,527 paragraphs issued up to December 2007 were pending settlement. The year-wise break-up of these IRs is given below.

Year	Number of Inspection Reports	Number of paragraphs
Up to 2003-04	1926	5178
2004-05	1193	3176
2005-06	969	4196
2006-07	1162	5888
2007-08	997	6089
Total	6247	24527

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

A review of the outstanding IRs pertaining to Judiciary and Co-operation department revealed that 327 paragraphs contained in 137 IRs and with a money value of Rs 302.74 crore remained unsettled at the end of June 2008. The year-wise position of outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix XXXVI**.

4.5.9 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

* Handbook of instructions for the speedy settlement of audit objections/inspection reports, etc., issued by the Finance Department.

the Committee on Public Undertakings (COPU)[#] as well as to the Principal Accountant General within the prescribed time limit.

The position of pendency as of July 2008 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 2002-03 to 2006-07 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
2002-03	63	61	2
2003-04	43	29	14
2004-05	32	21	11
2005-06	32	18	14
2006-07	39	Nil	39
Total	209	129	80

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

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