OVERVIEW

This Audit Report contains 60 Audit paragraphs and 3 Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft audit paragraphs and draft audit reviews are sent to the concerned Secretary to the State Government by the Accountant General demi-officially with a request to furnish replies within 6 weeks. The Secretaries to Government are also reminded by the Accountant General for replies. However, despite such efforts no response was received from the concerned Secretary to Government for 44 Audit paragraphs (out of the total number of 60) and three Reviews.

I Review of the State's finances

The assets of the State Government increased from Rs 11365.45 crore in 1999-2000 to Rs 12150.53 crore in 2000-01 (7 per cent), while the liabilities grew from Rs 21829.48 crore to Rs 25761.62 crore during the same period (18 per cent). The ratio of assets to liabilities declined from 0.52 to 0.47 during 2000-01 compared to previous year.

During 2000-01, the revenue receipts of the State Government were Rs 8730.85 crore against which revenue expenditure was Rs 11877.91 crore, resulting in a revenue deficit of Rs 3147.06 crore, down from a deficit of Rs 3624.21 crore in the previous year. Revenue deficit was brought down mainly by curtailing expenditure under various Government programmes. While revenue receipts grew by 10 per cent, the revenue expenditure grew by 3 per cent during 2000-01. There was no Balance from Current Revenues to finance the Plan expenditure.

The fiscal deficit decreased to Rs 3878 crore in 2000-01 from Rs 4534 crore in 1999-2000. The ratio of Revenue Deficit to Fiscal Deficit increased from 0.42 in 1996-97 to 0.81 in 2000-01 indicating that most of the borrowings was utilised to meet revenue expenditure. The sharp increase in interest payment from 16 per cent of revenue expenditure to 19 per cent of revenue expenditure during past 5 years, indicated that finances of the Government was under severe stress.

Assistance to local bodies and others constituted 27 per cent of the revenue expenditure of the Government during 2000-01 and declined from 29 per cent of the previous year.

The share of capital expenditure in total Government expenditure declined from 8 per cent in 1996-97 to 5 per cent in 2000-01. There was negative growth for the third year in succession. Even the limited capital expenditure was mostly unfruitful due to insignificant returns and amounts blocked in incomplete projects.

The public sector undertakings, joint stock companies and co-operative banks and societies in which Government invested Rs 1883 crore as of March 2001, were giving insignificant return of less than 1 per cent during the past 5 years.

Outstanding public debt of Government burgeoned from Rs 7583.39 crore as of March 1997 to Rs 13729.23 crore as of March 2001, a growth of 81 per cent.

Internal debt of the State Government increased by 157 per cent, from Rs 2970.85 crore in 1996-97 to Rs 7627.34 crore in 2000-01. Other liabilities like small savings, provident funds, reserve funds and deposits also increased significantly by 151 per cent during the same period. This had imposed a huge interest burden on the Government.

The net inflow of funds from these sources after repayments and other disbursements was not significant. There was huge unpaid liability of Rs 820 crore of contractors' bills. Government has also significant contingent liability in the shape of outstanding guarantees of Rs 9553 crore.

The growth in Revenue Deficit and Fiscal Deficit decelerated during 2000-01 vis-à-vis *1999-2000. However, these were achieved by curtailing revenue expenditure on important Government activities. Government also had to avail ways and means advances including overdrafts almost throughout the year and to postpone repayment of Central loans during 2000-01. The State undertakings and other institutions lodged their moneys in treasuries and raised loans from market and kept the amounts in Government accounts to bolster the State's ways and means position. Despite these measures, 81 per cent of the borrowing was consumed by revenue expenditure. Due to poor budgeting, Government had to resort to choking the payments in the treasuries. Consequently only staff payments were ensured, and no funds were available to meet the other costs of the programmes. The increasing debt to GSDP ratio indicated little respite from the mounting debt burden despite the decrease in Revenue Deficit and Fiscal Deficit during the year. Thus, the down-slide during1999-2000 in the financial health of the Government continued in 2000-01. Unless Government improves the budgeting, controls the revenue expenditure and improve its tax compliance, there is little chance of improvement in its financial condition.*

(Paragraphs 1.1 to 1.11)

II Summary of Appropriation Accounts

Excess expenditure of Rs 1833.77 crore for the years 1983-84 to 1985-86 and 1987-88 to 1999-2000 and Rs 613.35 crore for the year 2000-01 was yet to be regularised by the Legislature mainly due to the failure of Government to furnish explanations to the Public Accounts Committee.

The overall saving of Rs 1535.52 crore was the result of saving of Rs 2148.87 crore in 97 Grants and Appropriations offset by excess of Rs 613.35 crore in 7 Grants and Appropriations.

Supplementary provision obtained during the year constituted 15 per cent of original provision as against 32 per cent in the previous year.

Substantial saving of Rs 1 crore or more and also more than 10 per cent of the provision occurred in 44 cases.

There was persistent saving in excess of Rs 10 lakh and also 10 per cent or more of provision in 21 Grants for the last three years.

Expenditure of Rs 6.33 crore was incurred without provision in 15 cases.

In 40 cases, savings of Rs 1 crore or more in each case aggregating to Rs 1284.41 crore remained unsurrendered at the end of the year.

Out of total surrender of Rs 926.77 crore, Rs 918.49 crore was surrendered on the last day of the financial year.

In 12 cases, amount in excess of actual saving was surrendered resulting in excess surrender of Rs 67.18 crore.

Expenditure of Rs 0.64 crore was incurred on a new service without obtaining approval of the Legislature.

There was pronounced rush of expenditure under 20 major heads of account as more than 50 per cent of expenditure was incurred during the last quarter.

Review of expenditure and budgetary control system in two Grants (Grant No. XVII and XXVII) revealed delay in submission of budget proposals, lack of control of expenditure, non-utilisation of budgeted funds, injudicious reappropriation of funds, non/belated surrenders, rush of expenditure, etc.

(Paragraphs 2.1 to 2.4)

III Performance review of schemes/department

1 Implementation of Environmental Acts and Rules in regard to Air Pollution and Waste Management

A review of enforcement of Air Act and various Waste Management Rules in Kerala by Kerala State Pollution Control Board (PCB) revealed serious deficiency in identifying polluting industries, deficiencies in monitoring emissions from factories, failure in invoking penal provisions against polluting units, ineffective enforcement of Hazardous Waste Management, Bio-Medical Waste and Municipal Solid Waste Rules and failure in controlling pollution from vehicular emissions.

Policy on abatement of pollution and the environment policy drafted by the State Government in 1993 and 1994 were not adopted even as of March 2001.

Out of 2.18 lakh units registered in the State, only 5250 units were identified by the PCB under the Air Act as of March 2001. Of these, only 1798 units were brought under consent regime.

There was heavy short fall in monitoring the emission of even consented units. Stack monitoring was done only in respect of a few industries. Surprise inspections in 19 industrial units disclosed major shortcoming in pollution control measures in these units.

Only 32 authorisations were issued out of 89 units which applied for authorisation under the amended rules. Penal provisions were not invoked against industries which did not comply with Hazardous Waste Management Rules.

Only 106 out of 1668 identified hospitals applied for authorisation under Bio-Medical Waste Rules. No authorisation was issued to any of these hospitals so far. Other sources of bio-medical waste were not identified by the PCB.

PCB did not monitor compliance of provisions of Municipal Solid Waste Rules around land fill sites by urban local bodies. No action was taken by the PCB against five urban local bodies responsible for polluting air.

Thirty slaughter houses in 28 urban local bodies were functioning without the consent/authorisation of the PCB under the Air Acts or the Municipal Solid Waste Rules. These units generate unhygienic animal wastes.

Eight vehicles acquired by the Motor Vehicles Department for mounting pollution testing equipment were not used. Fourteen Gas Analysers and Smoke Meters acquired during October1993 to November1998 had not been used for road check. The RTOs were not regularly monitoring the smoke testing stations.

(Paragraph 3.1)

2 Prevention and Control of Diseases

A National Tuberculosis Control Programme

The Revised National Tuberculosis Control Programme (RNTCP), a 100 per cent Centrally Sponsored Scheme, was implemented in the State covering all the 14 districts in three phases. The review of the programme revealed low detection of TB cases due to low percentage of outpatients detailed for undergoing sputum tests, lack of infrastructure facilities for X-ray examination of sputum smear negative and extra pulmonary TB cases, shortage of microscopy centres and non-involvement of Medical College/ESI/Private hospitals and NGOs.

Out of Rs 5.90 crore received from GOI by State/District Tuberculosis Control Societies during 1996-2001 Rs 3.14 crore (53 per cent) remained unspent as of March 2001.

Shortage of Microscopy Centres and non-functioning of existing centres denied the benefit of laboratory testing facilities to TB patients in four districts. In seven out of 12 District TB Centres there were no facilities for X-ray examination for diagnosis of TB cases.

During 2000-01, shortfall in detection of TB cases ranged from 39 to 64 per cent in five test-checked districts. Similarly, detection of new sputum positive cases was only 48 to 70 per cent of the estimated national average during 1999-2001. The shortfall was mainly due to non-participation of Medical College/ESI/private hospitals and NGOs.

Children suffering from TB had no access to DOT under RNTCP. Failure of the Directly Observed Treatment (DOT) providers in furnishing the progress of treatment to the treatment centres would lead to non-followup of TB cases and could result in patients becoming Multi Drug Resistant.

There was no facility in the State for diagnosis of Multi Drug Resistant (MDR) TB and RNTCP had no provision for management of such patients.

(Paragraph 3.2A)

B National Programme for Control of Blindness

The National Programme for Control of Blindness, a 100 per cent Centrally Sponsored Scheme was revised during Ninth Plan with the objective of reducing avoidable blindness due to cataract and other diseases to 50 per cent by 2002 AD. Possibility of achieving the above target was remote due to lack of infrastructure facilities for eye surgery, non-achievement of cataract surgery rate of 400 per 1 lakh population, non- functioning of eye banks and non-availability of trained eye surgeons in Intra Ocular Lens.

Results of survey conducted to identify blind persons were not reliable due to inadequate coverage. As a result, Action plan formulated in 8 districts did not serve the intended purpose.

Against the target of 400 cataract surgery per 1 lakh population, achievement during 1998-2001 in the State did not go beyond 273 in any year. Possibility of achieving the objective of reducing avoidable blindness to 50 per cent by 2002 is remote.

Due to lack of separate operation theatres and separate beds for eye treatment services of even the available trained ophthalmic surgeons were not utilised. Shortfall in achievement of target for performance of cataract operations in Government sector ranged between 56 and 96 per cent during 1999-2001.

Out of 14 eye banks (Government sector:12, Private sector:2) approved in the State, 10 eye banks (Government sector:9, Private sector:1) were not functioning as of May 2001 due to absence of various facilities.

(Paragraph 3.2B)

C National AIDS Control Programme

The National AIDS Control Programme launched by GOI in 1992 was intended to achieve maintenance of HIV prevalence rate below 1 per cent, reduction in blood borne transmission of HIV, creating awareness among youth, etc. The review revealed lack of infrastructure for starting new blood banks even in hospitals where equipment were supplied by National AIDS Control Organisation (NACO), delay in renewal of licence leading to illegal functioning of blood banks, non-functioning of blood component separation units leading to lack of optimum utilisation of blood.

The shortfall in release of funds by NACO with reference to the approved outlay on the programme for the period 1996-2001 was Rs 12.65 crore.

As joint inspection for renewal of licence were not conducted timely, blood banks continued to function illegally. Three out of 29 blood banks for which assistance was given by NACO had not started functioning even as of May 2001.

Equipment costing Rs 26.96 lakh supplied by State AIDS Cell for 12 blood banks at various Government hospitals were not put to use as of May 2001. Thus the objectives of supply of safe and quality blood was not achieved as qualified doctors and infrastructure were not available.

Blood component separation facilities provided by NACO was not put in place in 2 blood banks at Medical Colleges, Kottayam and Kozhikode.

(Paragraph 3.2C)

D National Leprosy Eradication Programme

The National Leprosy Eradication Programme (NLEP) introduced in 1982 envisaged a specialised form of treatment for leprosy known as Multi Drug Therapy. The review revealed that the NLEP activities introduced with a view to wiping out leprosy could not achieve the expected results despite the fact that the programme has been under implementation for more than 15 years mainly due to non-creation of required infrastructure facilities, lack of man power in critical cadres and lack of supervision and monitoring at all levels (Central, State, District and Unit level). The classification of districts was wrongly made based on unrealistic Prevalence Rate (PR) calculated with reference to inadequate coverage of population and defective method of calculation of PR.

Target fixed by GOI was low due to defective classification of districts based on wrong PR. As a result achievement shown in 3 out of 5 years appeared to be high.

The prevalence rate reported by DHS was not reliable due to over-reporting of coverage of population, low percentage of coverage of population and defective method adopted for calculation of PR. Hence classification of districts based on this defective PR was not reliable.

Leprosy units were not properly located for optimum coverage. Four Reconstructive Surgery Units sanctioned by Government of India were yet to be started due to lack of manpower. Survey unit to assess extent of shortfall in detection of new cases was not sanctioned by the State.

Infrastructure created to cover the whole State under the MDT was not adequate.

(Paragraph 3.2D)

3 Functioning of Irrigation Department

Irrigation Department is charged with the responsibility of implementing and managing various irrigation projects (both major and medium ones), minor irrigation schemes, coastal protection and flood control works. Though Kerala is gifted with abundant river waters, only 17 per cent of cultivable land has been brought under irrigation. Budget and expenditure control system was grossly deficient and needs considerable improvement. Of 30 irrigation projects launched up to 1998, 14 were either incomplete or still under investigation. Time overrun of these projects ranged between 14 and 40 years and cost overrun ranged from nearly 3 to 60 times. Rs 39.68 crore was spent (March 2000) on five projects which were yet to be cleared by Central Water Commission. There was huge avoidable expenditure in the projects due to defective designs, delays in finalising designs and incorrect specifications. Returns from irrigation projects were insignificant compared to investment of Rs 2735 crore. The completed projects do not meet their revenue expenses. In some projects, establishment expenditure was very high compared to works expenditure. The department is overstaffed.

Rupees 308.75 crore of budgeted funds could not be spent during 1996-2001, but Rs 112.23 crore of contractors' pending bills remained unpaid.

Execution of works in 9 projects was not given due priority. The budgeted funds were reappropriated for other purposes. In three other projects, there was persistent savings ranging from 13 per cent to 75 per cent during 1998-2001.

Executive Engineer, Pazhassi irrigation project awarded works despite lack of budget provision. As a result, Rs 11.47 crore of contractors' bills remained unpaid. In 12 divisions contractors' claims for Rs 1.13 crore were irregularly paid out of 'Public Works Deposits' bypassing budgetary control system.

In 13 projects under execution/investigation there was time overrun in the range of 14 to 40 years as of March 2001, leading to increase in cost by 3 to 60 times.

Important short-comings and irregularities in management of irrigation projects by the Department brought out in recent Audit Reports, included huge time and cost overruns leading to sharp decline in benefit cost ratio, inadequate development of ayacut, huge establishment expenditure due to long gestation periods, execution of non-essential works and wastage of irrigation water.

Due to defective designs, change in specifications were required during execution of works leading to cost overrun/infructuous expenditure of Rs 6.05 crore. Rupees 44.02 crore spent on lining of canals under the various schemes was largely unfruitful as no additional ayacut was created to utilise the canal water.

Against potential of 3.45 lakh hectares created in 14 completed projects, potential of 2.80 lakh hectares was utilised. Low achievement was more prominent in Vazhani, Peechi and Neyyar projects.

The department was overstaffed. Establishment expenditure in Banasurasagar Project during 1996-1999 was Rs 75.45 lakh while practically no works were executed. Kallada Project, with 3 circles and 7 divisions, did not have adequate works. The CE(EEC) with 34 supporting staff was mostly passing the bills in respect of MI works. In the Investigation Division, Kannur, no significant work was performed while Rs 3.46 crore was spent on establishment during 1996-2001. Due to absence of skilled personnel no work was undertaken in the Mechanical Division, Malampuzha during 2000-01, while Rs 57.15 lakh was spent on establishment. In four projects still under investigation, Rs 21.08 crore was spent on idle staff during 1996-2001.

Water cess pending collection as of January 2001 amounted to Rs 2.40 crore. Though Irrigation Commission suggested revision of water cess on the fourth year of each Five Year Plan, no effective action was taken to revise the rates.

Owing to non-completion of works/non-energisation of pump sets, 17 lift irrigation schemes could not be commissioned and expenditure of Rs 4.61 crore on them was unproductive.

(Paragraph 4.1)

4 Treasury Public (TP) Accounts

Treasury Public Accounts are in the nature of Savings Deposits maintained by Government officers and various other institutions including local bodies and Government companies in the Treasuries. A test check of 133 TP accounts maintained in selected offices revealed various irregularities.

Thirty five DDOs from 9 departments drew Rs 103.74 crore from the Treasury in March 2001 and deposited it in TP accounts.

Outstanding balances in TP accounts as of March 2001 in 20 offices were Rs 182.03 crore.

Rupees 12.88 crore drawn for specific purposes and kept in TP accounts remained unutilised for long periods.

Rupees 66.92 lakh deposited in TP accounts for implementation of specific schemes was diverted for other purposes. Rupees 7.57 crore kept in TP account for payment of subsidy to industrial units was diverted for payment to KSEB.

(Paragraph 3.6)

5 State Investment Subsidy

A modified State Investment Subsidy Scheme was introduced in 1991 by the State Government for promoting industrialisation in the State by giving incentive by way of subsidy to new entrepreneurs and also for existing units for diversification, expansions, etc.

Subsidy arrears of Rs 33.77 crore was payable to 2171 SSI units and 23 large and medium units as of January 2001. Ineligible/excess subsidy of Rs 1.21 crore was paid on land, building and plant and machinery. Inadmissible subsidy of Rs 28.10 lakh was paid to 19 industrial units due to incorrect application of rules.

(Paragraph 3.12)

6 Working of State Water Transport Department

The State Water Transport Department formed in June 1968 operates inland water transport services. During the five years 1996-2001, the losses accumulated to Rs 27.94 crore and were steadily climbing from Rs 3.21 crore in 1996-97 to Rs 8.03 crore in 2000-01. Out of 81 passenger boats, 66 boats were more than 10 years old and only 54 boats could be pressed into service during 2000-01. During the year, 7704 boat days were lost i.e. 87 times of the permissible detention norm of 90 days. Due to delays in repairs/non-repairs there was frequent cancellation of scheduled trips. Uneconomic boat services from two stations caused heavy loss. Construction of a modern slipway to expedite repairs, entrusted with Steel Industrials Kerala Limited (SILK) remained incomplete as of May 2001. The Department incurred infructuous/wasteful expenditure of Rs 16.78 lakh on purchase of unsuitable engines and gear boxes. Pro forma accounts were prepared only upto the year 1990-91.

(Paragraph 6.2)

7 Working of Kerala State Co-operative Federation for Fisheries Development Limited (Matysafed)

Matsyafed was formed in 1984 to foster overall development of fishermen community by providing infrastructure required for promoting, processing and marketing of fish. However, implementation of various schemes sponsored/ assisted by both the Central and State Governments was tardy. The financial assistance was unutilised or misutilised. Large sums were diverted for ineligible purposes and lodged in treasury without proper utilisation. Centrally sponsored *schemes such as setting up of a cold chain and introduction of new generation craft and NCDC scheme for setting up of fish marketing centres were not implemented. Only 3400 houses were constructed as of March 2001 under the subsidised housing scheme financed by HUDCO against the target of 10000 houses. Performance of the four prawn hatcheries was poor due to under utilisation of their capacity. Out-board engines (666 numbers) costing Rs 3.40 crore imported during 1998-2000 were idling as of March 2001. Insurance business transacted during 1996-2000 resulted in loss or non-recovery of dues of Rs 48.45 lakh from beneficiaries. Thus, Matsyafed was ineffective in providing assistance and infrastructure for the economic well being of the fishermen.*

(Paragraph 7.5)

8 Pariyaram Institute of Medical Sciences and Advanced studies in Tuberculosis and Chest diseases

The Pariyaram Institute of Medical Sciences and Advanced Studies in Tuberculosis and Chest Diseases was started with the main objective of establishing a Medical College and super speciality hospital in the northern most part of Kerala. The objective of the Institute to act as a self financing and self reliant institution was defeated due to take over of the management by Government in 1997. Even though construction work was commenced in 1994, the Institute has not been fully commissioned as of October 2001. Despite spending Rs 101.41 crore as of March 2001, the buildings could not be put to intended use effectively. Even after six years, the Institute failed to secure from MCI permanent recognition to its MBBS course due to failure to provide infrastructure facilities. The Institute ended up with the outstanding liabilities of Rs 148 crore. Instances of inadmissible/irregular expenditure, extravagant expenditure, overpayments, undue benefits to the contractor, etc. involving Rs 20.69 crore were noticed in audit.

(Paragraph 7.6)

9 Purchase, distribution and utilisation of computer and accessories in the Department of Treasuries

Computerisation of all the treasuries in the State in a phased manner was sanctioned by Government in April 1998. Though computerised counter level transactions were targeted to be introduced in 186 treasuries by November 2000, 12 treasuries only could be converted as of June 2001 because of delays in completion of civil/electrical works. Due to faulty assessment of requirements, equipment purchased between July 1999 and June 2000 for Rs 56.54 lakh was idling. Wide Area Network facility provided linking 30 treasuries, Directorate of Treasuries and Finance Department was either non-functional or dysfunctional. Failure to insist upon a warranty period of three years resulted in avoidable annual maintenance expenditure of Rs 34.08 lakh. There was no proper inventory management.

(Paragraph 5.1)

10 Stores management of Printing Department

No annual consolidated stock account has been prepared by the Director of Printing from 1982-83 onwards. Many instances of idling of machinery *(cost: Rs 33.25 lakh), shortages of stores (Rs 23.62 lakh), excessive purchases (Rs 1.33 lakh), non-moving stock (11.36 lakh), etc. were noticed in four presses and two forms stores. As of July 2001, 2 crore forms printed at a cost of Rs 53.52 lakh for use in five major departments were lying from 1995-96 onwards.*

(Paragraph 5.2)

11 Overvaluation of land

Significant overvaluation of land caused drain of public funds (Rs 11.39 crore) in five cases of land purchased by three autonomous/local bodies between June 1997 and March 2001. Land bought by Technopark (56.14 acres for Rs 5.75 crore) and Changanasserry Municipality (10.25 acres for Rs 47.67 lakh) was wet/marshy or water-logged. Documents pertaining to distant and dissimilar lands were adopted as basis for valuation overlooking sale deeds of plots recently purchased. The resultant over-valuation was Rs 4.66 crore (Technopark) and Rs 41.65 lakh (Changanasserry Municipality).

In Municipal Corporation of Kochi (MCK) sale deeds of tiny plots were adopted as basis for valuation in three cases-garbage disposal plant at Brahmapuram, Edappally Zonal office cum shopping complex and garbage yard at Cheranalloor. Total excess valuation involved was Rs 6.31 crore. Further, MCK spent Rs 2.18 crore to develop the land and laying a service road for plot to be bought which boosted market value of the land to be bought.

(Paragraph 7.7)

12 Recurring loss in production of raw silk

SERIFED suffered loss of Rs 1.06 crore in raw silk production during 1995-2001 mainly owing to poor recovery of silk compared to normal standards of shell ratio, good cocoons and silk recovery percentages. SERIFED was incurring expenditure of Rs 37.44 lakh per annum on excess staff.

(Paragraph 7.13)

13 Accelerated Water Supply Programmes – rural and urban

(a) Rural

Accelerated Rural Water Supply Programme is a cent per cent Centrally Sponsored Scheme which aims at providing safe water to all the 9776 inhabitations identified in 1992 in the State by the end of Eighth Plan. Against Central assistance of Rs 104.20 crore received during 1998-2001, Rs 76.31 crore only was utilised and Central assistance of Rs 27.89 crore was lost. Though coverage of all the 9776 identified inhabitations was targeted to be completed by the end of Eighth Plan, 838 Non-Covered and 5939 Partially Covered habitations remained uncovered or awaiting upgradation of status. Out of 515 schemes sanctioned during 1978 to 2001, 128 schemes (cost: Rs 443.45 crore) were either not taken up or remained incomplete as of March 2001. Implementation of schemes to benefit SC/ST population was tardy due to non-release of assistance to Kerala Water Authority by Government, treasury restrictions and non-utilisation of funds by District Collectors. While execution of critical work components was either very slow or at a stand-still, huge expenditure was incurred on purchase *of pipes and accessories. Lack of proper planning in execution of various components of schemes in a time bound manner and failure to get over the major impediment of non-availability of land led to non-completion of three schemes rendering expenditure of Rs 3.18 crore incurred as of March 2001 as unfruitful. Implementation of schemes to control fluoride/salinity was delayed resulting in loss of Central assistance of Rs 6.57 crore. Quality assurance in water supplies and prevention/precautionary mechanism for control of water-borne diseases were deficient.*

(Paragraph 7.14)

(b) Urban

Against Rs 11.99 crore released to KWA during 1993-2001 only Rs 3.26 crore (25 per cent) was spent on the programme. Bulk of unspent funds were retained by KWA. Though Government of India identified 40 problem towns, KWA prepared Detailed Project Reports for implementing the programme in nine towns only out of which it commenced the schemes only in three towns. Consequently, intended programme benefits could not reach 4.47 lakh people in those uncovered problem towns and potential Central assistance of Rs 22.38 crore was foregone. Two schemes launched in 1995-96 progressed very slowly though Rs 3.24 crore was spent on them against the estimated outlay of Rs 3.71 crore. Implementation of another scheme, estimated at Rs 3.42 crore, did not take off (October 2001). Slackness in preparation of project reports and sluggish execution of schemes led to tardy implementation of the programme though funds were not a constraint.

(Paragraph 7.15)

IV Transaction audit observations

1 Blocking of funds

(i) Rupees 57.05 lakh out of Rs 77 lakh released to Wayanad Nelkrishi Vikasana Agency during 1998-2000 for development of paddy cultivation in the district was not utilised for 3 years.

(Paragraph 3.4)

(ii) Rupees 89 lakh was unnecessarily disbursed to a newly constituted Marketing Authority by the Principal Agricultural Officer, Ernakulam against the requirement of Rs 14 lakh.

(Paragraph 3.5)

(iii) Kerala Water Authority refused to undertake construction work of Rajiv Gandhi Kayika Sadanam after receiving an advance of Rs 35 lakh for the work and Government failed to settle the dispute for nearly 5 years.

(Paragraph 3.8)

(iv) Rupees 2.05 crore released in 1998 to COIRFED for installation of diesel generator sets in Coir Cooperative Societies were not utilised for over 2 years.

(Paragraph 3.13)

(v) For setting up mini industrial estate, Kozhikode Zilla Panchayat paid Rs 1.33 crore between March 1998 and March 1999 to a trust and on its dissolution in June 2001 entrusted the project to District Industries Centre (DIC), Kozhikode. Unspent balance of Rs 66.74 lakh available in the accounts of the extinct trust was not transferred to DIC as of August 2001. The project has not been implemented.

(Paragraph 7.17)

(vi) Failure to determine the actual location and size of the mini hydel project proposed to be set up under Peoples' Plan in Zilla Panchayat, Kannur led to blocking of funds of Rs 40 lakh for three years

(Paragraph 7.18)

2 Infructuous/Unfruitful /Wasteful expenditure

(i) Due to delay of over 9 years in acquiring full extent of land required for establishment of a migratory corridor for elephants in Wayanad district Rs 1.08 crore spent on acquisition of part of the land became unfruitful.

(Paragraph 3.7)

(ii) An X-ray machine purchased for Rs 27.90 lakh from SIEMENS Limited for Medical College, Thiruvananthapuram in April 1997 was defective. As the firm did not respond to repeated requests for repair, the machine was lying idle.

(Paragraph 3.10)

(iii) Assistance of Rs 1.49 crore paid to 8 Co-operative Societies for establishment of defibering mills remained unfruitful as the Societies did not start mechanised defibering due to various reasons.

(Paragraph 3.16)

(iv) For construction of bridge-cum-regulator at Kanakkankadavu, lack of co-ordination between Civil and Mechanical wings led to wasteful expenditure of Rs 35.15 lakh on formation of fresh ring bund soon after the demolition of the existing bund.

(Paragraph 4.3)

(v) Kerala State Housing Board incurred wasteful expenditure of Rs 1.66 crore on a land acquisition unit which had no work for five years.

(Paragraph 7.11)

(vi) Kothypallykandi bridge was completed in July 2000, at a cost of Rs 3.11 crore, but it could not be opened for traffic for want of approach roads for 1.8 km, which could not be constructed due to non-availability of land.

(Paragraph 4.9)

(vii) A building for Women and Children Hospital, Palakkad almost completed in March 1996 but the work was stopped and minor finishing works were not resumed. Consequently the building substantially completed at an expenditure of Rs 89 lakh was lying unused for five years.

(Paragraph 4.13)

(viii) Work on Mukkannankadavu bridge in Palakkad District, was stopped in February 1996 due to poor progress. Subsequent inspection revealed that piers and abutments built were weak and unsuitable for constructing the deck super structure. The work got delayed by 7 years and Rs 35.30 lakh wasted due to lack of departmental supervision.

(Paragraph 4.14)

(ix) Though works on eleven schemes to supply water to 12 villages and two towns could not be executed as of May 2001, KWA paid interest of Rs 6.33 crore towards loan of Rs 14.26 crore borrowed from Life Insurance Corporation of India for these schemes. Further, premature stockpiling of pipes led to idle investment of Rs 6.71 crore.

(Paragraph 7.16)

(x) As electrification and connected works were not completed the Software Technology Park, Kottayam was not commissioned though Rs 24.75 lakh was spent on this project.

(Paragraph 7.19)

3 Avoidable/unjustified extra expenditure

(i) Selection of a firm not possessing licence for use of explosives necessitated change of quarry for execution of the work on construction of the breakwater at Mattul side for Azheekkal Cargo Harbour. Avoidable expenditure of Rs 93 lakh was incurred on conveyance of stones from the new quarry.

(Paragraph 4.2)

(ii) In the construction of a government building marble flooring was substituted for cement mortar flooring without sanction from higher authorities leading to unjustified extra expenditure of Rs 41.74 lakh.

(Paragraph 4.11)

(iii) In disregard of Government orders to redeploy surplus staff in the newly formed Kannur University, University of Calicut retained 121 staff identified as surplus. As a result Rs 2.50 crore was spent on such staff during 1998-2001.

(Paragraph 7.8)

4 Inadmissible/irregular/excess payment

(i) Contractor was unjustifiably paid Rs 40.47 lakh towards incidental work of shoring and use of sand obtained free of cost from river bed for construction of the regulator-cum-bridge at Velliyamkallu.

(Paragraph 4.5)

(ii) University of Calicut paid house rent allowance to its employees at higher rates applicable to City Corporation areas instead of the rates applicable for unclassified places. Excess payment during 1995-2001 was Rs 2.53 crore.

(Paragraph 7.9)

5 Undue aid/unintended benefit to contractors/private parties

(i) Contrary to specifications, conveyance charges (Rs 55.25 lakh) at head load rates included in the composite rate for excavation in the work on 'Improvements and protection of Canoli Canal' was unnecessarily paid to the contractors.

(Paragraph 4.4)

(ii) During construction of Nelliadikadavu bridge, the size and number of islands for sinking well foundations were increased during execution of works at exorbitant rates resulting in unintended aid of Rs 30.02 lakh to the contractor.

(Paragraph 4.15)

6 Mismanagement/misapplication of funds

Kerala State Housing Board did not productively invest funds of Rs 150.73 crore received from 953 local bodies under the Maithri Housing Scheme to take care of the repayment obligations. The funds were utilised on other projects.

(Paragraph 7.12)

7 Non-achievement of objective

Revenue department could not purchase full extent of land needed for rehabilitating fishermen engaged in illicit distillation in Pozhiyoor area in Thiruvananthapuram District though funds were available since 1993-94.

(Paragraph 3.19)

8 Unadjusted advances

Advances amounting to Rs 62.91 lakh paid to 14 officers of the Public Relations Department during 1994-2000 remained unadjusted for one to six years.

(Paragraph 3.18)