REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2011

(CIVIL)

Report No.2

GOVERNMENT OF KERALA

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CONTENTS

APPENDICES

Preface

1. This Report has been prepared for submission to the Governor of Kerala under Article 151 of the Constitution of India.

2. Chapter-I of this Report indicates profile of units under audit jurisdiction, authority for audit, planning and conduct of audit, organisational structure of the offices of the Principal Accountant General (C&CA) and Accountant General (WF&RA) and response of the departments to the draft paragraphs. Highlights of audit observations included in this Report have also been brought out in this Chapter.

3. Chapter-II deals with the findings of district audit, a long draft paragraph and two thematic reviews while Chapter-III covers audit of transactions in various departments including Public Works and Water Resources departments, autonomous bodies, etc., Chapter-IV includes comments arising from the Chief Controlling Officer based audit of the Directorate of Industries and Commerce.

4. Reports containing (a) observations arising out of audit of Statutory Corporations, Boards and Government Companies, (b) observations on revenue receipts of the State Government, (c) observations relating to local self-government institutions and (d) observations on the finances of the State Government are being presented separately.

5. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 as well as those which had come to notice in earlier years but could not be included in the previous Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

CHAPTER I
INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies.

Compliance audit refers to examination of transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports.

1.2 Profile of units under audit jurisdiction

There are 36 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers under them, and 23 autonomous bodies which are audited by the Principal Accountant General (Civil and Commercial Audit), Thiruvananthapuram.

The comparative position of expenditure incurred by the Government during the year 2010-11 and in the preceding two years is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure

(₹ in crore)

Disbursements	2008-09			2009-10			2010-11		
	Plan	Non plan	Total	Plan	Non plan	Total	Plan	Non plan	Total
Revenue expenditure									
General Services	158.95	12508.42	12667.37	370.83	13564.69	13935.52	184.43	15233.96	15418.39
Social Services	1910.30	7452.54	9362.84	2347.98	8119.17	10467.15	2505.61	9605.19	12110.80
Economic Services	1142.61	2785.92	3928.53	1460.24	2780.48	4240.72	1505.70	2851.76	4357.46
Grants-in-aid and contributions	---	2265.12	2265.12	---	2488.98	2488.98	---	2778.16	2778.16
Total	**3211.86**	**25012.00**	**28223.86**	**4179.05**	**26953.32**	**31132.37**	**4195.74**	**30469.07**	**34664.81**
Capital Expenditure									
Capital outlay	1670.76	24.84	1695.60	1902.16	157.23	2059.39	2765.66	598.03	3363.69
Loans and advances disbursed	579.25	404.44	983.69	704.20	172.48	876.68	319.31	442.43	761.74
Repayment of public debt[1]			1650.34	---	---	1765.06			1975.03
Contingency Fund			5.84	---	---	26.27			33.92
Public Account disbursements			53627.80	---	---	57271.53			70558.27
Total			**57963.27**			**61998.93**			**76692.65**
Grand Total			**86187.13**			**93131.30**			**111357.46**

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the departments of the Government of Kerala under Section 13[2] of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of 23 autonomous bodies which are audited under sections 19(2)[3] and 20(1)[4] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 231 other autonomous bodies, under Section 14[5] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

[1] Excluding net transactions under ways and means advances

[2] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

[3] Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

[4] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

[5] Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

1.4 Organisational structure of the Offices of the Principal Accountant General (C&CA) and Accountant General (WF&RA), Kerala

Under the directions of the C&AG, the offices of the Principal Accountant General (C&CA) and Accountant General (WF&RA), Kerala conduct audit of Government departments/offices/autonomous bodies/ institutions under them, which are spread all over the State. The Principal Accountant General and Accountant General are assisted by three Group Officers.

1.5 Planning and Conduct of Audit

The audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within four weeks from the date of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India.

During 2010-11, 13,006 party-days were used to carry out audit of 1,942 units (compliance audits and performance audits) of the various departments/ organisations. The audit plan covered those units/entities which were vulnerable to significant risks as per our assessment.

1.6 Significant Audit Observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations have also been reported upon.

1.6.1 Performance audits of programmes/activities/departments

The present Report contains the findings of a district-centric audit of Palakkad District; one long paragraph regarding the Kerala State Transport Project; a thematic review of the implementation of the scheme 'Special Development Fund for Members of Legislative Assembly'; another thematic review on the compliance of Standards of Weights and Measures Acts and Rules by the Legal Metrology Department and a Chief Controlling Officer-based audit of the Directorate of Industries and Commerce. The highlights are given in the following paragraphs.

1.6.1.1 District-centric Audit of Palakkad District

With increasing investment by the Governments with districts as the focal points, a district-centric audit was conducted in Palakkad District to assess the status and impact of implementation of various socio-economic developmental programmes there. The District Planning Committee (DPC) was required to prepare an Integrated District Development Plan (IDDP) for the district and finalise local development plans (LDPs) for local self-government institutions (LSGIs). The DPC had not prepared either an IDDP or LDPs as a result of which, gaps in various developmental schemes remained unidentified. There was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under various schemes implemented in the district. The district had six hospitals, one Tribal Speciality Hospital, 20 Community Health Centres, 75 Primary Health Centres and 504 Sub Centres. Adequate manpower and infrastructure as per the Indian Public Health Standards were not provided. Medical instruments supplied were not properly utilised. Despite the intervention of the Sarva Shiksha Abhiyan, strength of students in Government/aided schools decreased and the strength of students in unaided schools recorded increases. Nine water supply schemes taken up under the Accelerated Rural Water Supply Programme to benefit a population of 2.93 lakh in nine panchayats remained incomplete due to improper planning. Quality tests of water samples of the Comprehensive Water Supply Scheme (CWSS) to Nemmara and Ayilur showed the presence of bacteria and other impurities. Inordinate delays were noticed in the completion of houses taken up by the Scheduled Castes (SCs) and Scheduled Tribes (STs) Development Department under housing schemes for SCs and STs. In respect of the Special Development Fund for Members of Legislative Assembly, several works remained incomplete for reasons like non-availability of materials, public objections, vagaries of nature etc. In the Attappady Wasteland Comprehensive Environmental Conservation Project, delays were noticed in completion of houses and several assets created by AHADS were lying unutilised or had not been handed over to the beneficiary departments. The e-District programme had not been fully implemented. Only 23 out of 46 Government services envisaged under e-District programme were made available in 97 villages out of 156 villages.

(Paragraph 2.1)

1.6.1.2 Kerala State Transport Project

The Kerala State Transport Project (KSTP), aided by the International Bank for Reconstruction and Development (IBRD), was launched in June 2002 by the Government for improving the infrastructure in the State road sector. The main thrust of the project was to upgrade the State roads by widening and strengthening 578.90 km of roads and by providing maintenance to 1,009 km of roads.

Audit scrutiny of the implementation of the project revealed that in the case of corridor upgradation works, targets were reset midway by reducing more than 50 *per cent*. Defective planning in land acquisition process resulted in non-availability of land for execution of works. Indecision of KSTP resulted in hardship to the public and extra expenditure of ₹ 60.75 crore in an upgradation work for KSTP I. KSTP also paid price adjustment claims of ₹ 12.56 crore violating contract conditions.

(Paragraph 2.2)

1.6.1.3 Special Development Fund for Members of Legislative Assembly

The 'Special Development Fund for Members of Legislative Assembly' was launched by the State Government in October 2001 to enable Members of the Legislative Assembly (MLAs) to create durable assets for public use at large. The annual allotment under the scheme to each MLA was ₹ 75 lakh per annum. The scheme was fully funded by the State Government and the funds released were non-lapsable.

An audit of the implementation of the scheme revealed that the utilisation of funds during 2006-11 was in the range of 28 to 38 *per cent* of the available funds. In 21 *per cent* of the works sanctioned by the District Collectors of four districts selected for audit, the delays in issue of administrative sanctions were more than six months from the dates of receipt of proposals from MLAs. Audit noticed execution of works prohibited under the guidelines. The large number of relaxations accorded for taking up works prohibited under the guidelines was indicative of lack of sanctity for the guidelines. The works were seen to have been entrusted to societies/trusts without entering into formal agreements with them. Monitoring at the district level was not done as envisaged in the guidelines.

(Paragraph 2.3)

1.6.1.4 Compliance of Standards of Weights and Measures Acts and Rules by the Legal Metrology Department

The Standards of Weights and Measures Act, 1976 provide for the establishment of standards of weights and measures and the Standards of Weights and Measures (Enforcement) Act, 1985 provides for the enforcement of the provisions of the Act in the country. The Standards of Weights and Measures (Packaged Commodities) Rules, 1977 regulate the sale of commodities in a packaged form. These Acts and the Rules stipulate consumer protection in respect of weights and measures used in trade and commerce. The Legal Metrology Department in the State is the authority which implements the above enactments so as to protect consumers from exploitation and unfair trade practices.

Scrutiny by Audit regarding compliance of provisions in the various Acts/Rules relating to the Legal Metrology Department revealed delays in utilisation of Central funds, inadequate verification of auto-rickshaw fare meters, deficiencies in inspection of petrol pumps and 'net content' in packages. There was lack of proper follow-up action in prosecution cases.

(Paragraph 2.4)

1.6.1.5 Chief Controlling Officer based audit of Directorate of Industries and Commerce

The Directorate of Industries and Commerce is responsible for promoting/sponsoring, registering, financing and advising micro, small and medium enterprises in the State. Creation of a conducive environment is essential for the rapid industrialisation of the State. The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output and employment opportunity in the country. Deficiencies were noticed in monitoring of industrial plots allotted to entrepreneurs. Financial assistance by way of margin money loans, State investment subsidies and share capital contribution were disbursed without assessing the capability of the beneficiary to utilise the amount for the intended purpose. No effective safeguards were put in place to recover the funds in case of non-adherence to the stipulated conditions. This resulted in very high default rates in repayment of loans and retirement of share capital contribution. Delays ranging from four to 34 months were noticed in sanctioning of State investment subsidies. The internal control mechanism in the Directorate was not effective.

(Paragraph 4.1)

1.6.2 Compliance audit of transactions

Audit also found several significant deficiencies in critical areas which could impact the effective functioning of the departments. These are broadly categorised and grouped as:

- Non-compliance with rules
- Audit against propriety/expenditure without justification
- Persistent and pervasive irregularities
- Failure of oversight/governance

1.6.2.1 Non-compliance with rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities and misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 2.33 crore. Some significant audit findings are as under:

- Failure to comply with the provisions of Income Tax Act, 1961 by the Sree Sankaracharya University of Sanskrit led to loss of interest amounting to ₹ 92.15 lakh accrued on its deposits.

  (Paragraph 3.1.1)

- Non-compliance with the provisions of the Stores Purchase Manual resulted in short collection of cost of tender forms amounting to ₹ 63.24 lakh in Infopark and the Malabar Cancer Centre.

  (Paragraph 3.1.2)

- Excess payment of ₹ 77.46 lakh was made to contractors due to non-recovery of overhead charges and contractor's profit on the cost of bitumen in seven works executed by two Public Works Roads Divisions (Muvattupuzha and Thrissur) and two National Highway Divisions (Muvattupuzha and Kodungallur).

(Paragraph 3.1.3)

1.6.2.2 Audit against propriety/expenditure without justification

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure involving ₹ 39.54 crore, some of which are as under:

- The Director of Industries and Commerce released ₹ 2.56 crore in March 2009 to a Special Purpose vehicle for setting up a Common Effluent Treatment Plant even before taking possession of land for the purpose which resulted in blocking of Government money outside Government account for over two years and the objective of reducing pollution of Periyar river could not be achieved.

(Paragraph 3.2.1)

- Undue favour was extended to Pinarayi Industrial Co-operative Society by giving financial assistance of ₹ two crore initially in the form of loan and subsequently converting the loan as share capital participation, in gross violation of rules and instructions.

(Paragraph 3.2.2)

- An expenditure of ₹ 28.66 crore was incurred by the Information and Public Relations Department during 2010-11 on display advertisements, violating the canons of financial propriety, rules of empanelment and norms for release of advertisements.

(Paragraph 3.2.3)

- Payment of enhanced rates of cement and steel amounting to ₹ 59.42 lakh made to a contractor for the work of construction of the Olassery-Palayangad Road, including a bridge across Chitturpuzha at Palayangad' in Palakkad district was beyond the scope of the contract agreement.

(Paragraph 3.2.4)

- Erroneous calculation of rebate at the time of payment for an item of work 'widening and improvement of riding quality of a major district road' in Thiruvananthapuram district under the Central Road Fund Scheme resulted in excess payment of ₹ 65.03 lakh to a contractor.

(Paragraph 3.2.5)

- The Kerala Water Authority allowed irregular refund of works contract tax amounting to ₹ 50.95 lakh to M/s.Noble Tech Engineering (P) Limited in violation of statutory provisions.

(Paragraph 3.2.6)

- Due to abnormal delays in finalisation of tenders, the department could not consider the lower rates offered by some bidders, resulting in avoidable extra expenditure of ₹ 4.57 crore in four canal works of the Idamalayar Irrigation Project.

(Paragraph 3.2.7)

1.6.2.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the Executive but is also an indication of lack of effective monitoring. This, in turn, encourages wilful deviations from the observance of rules/regulations and results in weakening of the administrative structure.

- Against the admissible rate of ₹ 150 per month, the employees working in the headquarters of Calicut, Kannur and Mahatma Gandhi Universities which are situated in unclassified cities were paid HRA ranging from ₹ 250 to ₹ 1200 applicable to B class cities, resulting in excess payment amounting to ₹ 2.70 crore.

(Paragraph 3.3.1)

1.6.2.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public service, etc. However, Audit noticed instances where the funds released by the Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels involving ₹ 144.07 crore. A few such cases are mentioned below:

- Release of ₹ 1.05 crore to the Kerala State Seed Development Authority by the Director of Agriculture for construction of five seed storage godowns and two seed processing units even before ensuring availability of land resulted in blocking of funds during the period March 2003 to June 2009. Besides, ₹ 1.19 crore was incurred towards hire charges of godowns from April 2004 to March 2011.

(Paragraph 3.4.1)

- Rupees three crore released to District Collectors of Kollam, Thrissur and Kannur for protecting an ecologically fragile mangrove ecosystem remained unutilised for more than four years.

(Paragraph 3.4.2)

- Effective functioning of the Vigilance & Anti - Corruption Bureau has the potential to yield substantial benefits to the Government. The constraints faced by the VACB at various stages of its operations have seriously impaired achievement of the objective of effectively combating corruption and misconduct by Government servants and public servants.

(Paragraph 3.4.3)

- Acceptance of bank guarantees (₹ 2.62 crore) without taking possession of documents relating to their verification resulted in non-detection of their not being genuine.

  (Paragraph 3.4.4)

- Failure of the Government in selecting suitable land for development of an Information Technology Park based on environment considerations led to abandonment of the site after incurring an expenditure of ₹ 2.61 crore and subsequent relocation of the park to an alternative site.

  (Paragraph 3.4.5)

- The Thiruvananthapuram City Road Improvement project remained incomplete even after seven years of award of a contract to the Thiruvananthapuram Road Development Company Limited. The Government had already incurred arbitration liability of ₹ 125 crore (as against the estimated cost of ₹ 140 crore) towards escalation cost, idling of resources, delay in handing over land, etc.

  (Paragraph 3.4.6)

- The Public Works Department carried out surface renewal works on the Palakkad-Meenakshipuram Road (State highway) immediately before the execution of heavy maintenance work under the Kerala State Transport Project, which resulted in wasteful expenditure of ₹ 73.19 lakh.

  (Paragraph 3.4.7)

- Execution of a work without proper investigation and delay in rearranging the balance work rendered the foundation work of Muttakavu Bridge in Kollam-Ayoor Road, already executed at ₹ 52.39 lakh wasteful and also created additional financial commitment of ₹ 74.03 lakh due to change in design of the foundation.

  (Paragraph 3.4.8)

- Failure to install static capacitors/capacitors with sufficient rating by Kerala Water Authority and other departments resulted in avoidable expenditure of ₹ 6.61 crore towards power factor penalty.

  (Paragraph 3.4.9)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Outstanding Inspection Reports

The Handbook of Instructions for Speedy Settlement of Audit Objections/Inspection Reports issued by the State Government in 2010 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the Principal Accountant General within four weeks of receipt of the Inspection Report. Half-yearly reports of pending IRs are being sent to the Secretary of the Department to facilitate monitoring of the audit observations.

As of 30 June 2011, 627 IRs (2,475 paragraphs) were outstanding against Collegiate Education, Industries and Water Resources Departments. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1.**

A review of the IRs pending due to non-receipt of replies, in respect of these three departments revealed that the Heads of Offices had not sent even the initial replies in respect of 189 IRs containing 1,054 paragraphs issued between 2003-04 and 2010-11.

1.7.2 Response of departments to the draft paragraphs

Draft Paragraphs and Reviews were forwarded demi-officially to the Principal Secretaries/Secretaries of the departments concerned between May and September 2011 with a request to send their responses within six weeks. The departmental replies for none of the five reviews and only six out of 20 paragraphs featured in this Report were received. These replies have been suitably incorporated in the Report.

1.7. 3 Follow-up on Audit Reports

The Finance Department issued (April 1997) instructions to all administrative departments of the Government that they should submit Statements of Action Taken Notes on audit paras included in the Audit Reports directly to the Legislature Secretariat with copies thereof to the Audit Office within three months of their being laid on the Table of the Legislature.

The administrative departments did not comply with the instructions and 14 departments, as detailed in **Appendix 1.2,** had not submitted Statements of Action Taken for 44 paragraphs for the period 2007-08 to 2009-10 even as of September 2011.

1.7. 4 Paragraphs to be discussed by the Public Accounts Committee

The details of paragraphs pending discussion by the Public Accounts Committee as of September 2011 are given in **Appendix 1.3.**

CHAPTER II
PERFORMANCE AUDIT

REVENUE DEPARTMENT

2.1 District-centric Audit of Palakkad District

Highlights

With the increasing investment by Governments with the district as the focal point, a district-centric audit was conducted in Palakkad District to assess the status and impact of implementation of various socio-economic developmental programmes. Audit conducted a review of key social sector programmes relating to health, education and water supply; economic sector programmes relating to agriculture, Member of Parliament Local Area Development Scheme, Special Development Fund for Members of Legislative Assembly, Housing for Scheduled Castes/Scheduled Tribes and the Attappady Wasteland Comprehensive Environmental Conservation Project and General Services relating to e-District and e-Literacy (Akshaya).

The District Planning Committee (DPC) was required to prepare an Integrated District Development Plan (IDDP) for the District and finalise Local Development Plans (LDPs) for Local Self Government Institutions (LSGIs). The DPC had not prepared either an IDDP or LDPs and therefore, gaps in various developmental schemes remained unidentified.

(Paragraph 2.1.3.3)

There was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under various schemes implemented in the district.

(Paragraph 2.1.4.1)

The district had six hospitals, one Tribal Speciality Hospital, 20 Community Health Centres, 75 Primary Health Centres and 504 Sub Centres. Adequate manpower and infrastructure as per the Indian Public Health Standards were not provided. Medical instruments supplied were not properly utilised.

(Paragraphs 2.1.5, 2.1.5.2 and 2.1.5.3)

Despite the intervention of the Sarva Shiksha Abhiyan, the strength of students in Government/aided schools decreased and the strength of students in unaided schools increased.

(Paragraph 2.1.6.2)

Nine water supply schemes taken up under the Accelerated Rural Water Supply Programme to benefit a population of 2.93 lakh in nine Panchayats remained incomplete due to improper planning. Quality tests of water samples of the Comprehensive Water Supply Scheme (CWSS) to Nemmara and Ayilur showed presence of bacteria and other impurities.

(Paragraphs 2.1.7.2 and 2.1.7.4)

Inordinate delays were noticed in the completion of houses taken up by the Scheduled Castes and Scheduled Tribes Development Department under Housing schemes to SCs and STs.

(Paragraphs 2.1.8.1 and 2.1.8.2)

In respect of Special Development Fund for Members of Legislative Assembly, several works remained incomplete for reasons like non-availability of materials, public objections, vagaries of nature, etc.

(Paragraph 2.1.10)

In Attappady Wasteland Comprehensive Environmental Conservation Project, delays were noticed in completion of houses and several assets created by AHADS were lying unutilised or were not handed over to the beneficiary departments.

(Paragraph 2.1.13.3)

The e-District programme had not been fully implemented even after three years. Out of 46 services under the project, only 23 services relating to the Revenue Department were made online.

(Paragraph 2.1.14.1)

2.1.1 Introduction

2.1.1.1 District profile

Palakkad District lies in the central part of Kerala bound in the north by Malappuram district; east by the State of Tamil Nadu; south by Thrissur district; and west by parts of Malappuram and Thrissur districts. The district spans an area of 4,480 sq. kms. The total population (Census 2001) of the district is 26.17 lakh. The rate of literacy in the district is 84.31 *per cent* as against the State average of 90.86 *per cent*. The district consists of two Revenue Divisions, five Taluks, 13 Community Development Blocks, 91 Grama Panchayats and four Municipalities.

2.1.1.2 Administrative Set-up

The District Collector (DC) is the Head of the District. The DC is the Chairman of various development bodies and committees of the district. In the district, there are District level offices and Sub offices for almost all Government departments. The departmental schemes are proposed by the departments concerned at the State level.

The District Planning Committee (DPC) is the body at the district level which approves the Annual Plans prepared by Local Self Government Institutions (LSGIs) (District Panchayat, Block Panchayats, Grama Panchayats, and Municipalities) and reviews the progress of the schemes approved by it. There were 14 members in the committee as against the stipulated 15. The District Planning Officer (DPO) is the Joint Secretary (Co-ordination) of the DPC and his office functions as the Secretariat of DPC.

2.1.2 Audit Framework

2.1.2.1 Scope of Audit

There were numerous developmental programmes initiated by the State and the Central Governments for the upliftment of the standard of living of the people, with the district as the focal point. Audit of Palakkad District involved a review of the significant developmental programmes/schemes implemented in the district during the period 2005-10 covering Social, Economic and General Services. Audit undertook appraisal of (i) social sector programmes of health with focus on the National Rural Health Mission (NRHM), education with focus on Sarva Shiksha Abhiyan (SSA), water supply with focus on the Accelerated Rural Water Supply Programme (ARWSP) (ii) economic sector programmes with a focus on the State Horticulture Mission (SHM), the Prime Minister's Special Rehabilitation Programme (Vidarbha Package), the Member of Parliament Local Area Development Scheme (MPLADS), the Special Development Fund for Members of Legislative Assembly (MLA SDF), Housing to Scheduled Castes/ Scheduled Tribes, Attappady Wasteland Comprehensive Environmental Conservation Project (AWCECOP) and (iii) general services with a focus on IT programmes like e-District and e-Literacy (Akshaya). This audit covered the developmental initiatives in the district and the expenditure thereon, both from the Central and State funds and focused on the role and responsibilities of the district administration in providing essential public services and improving the general standard of living of the people of the district as well as the extent of community participation in programme implementation and monitoring.

The audit was based on a scrutiny of the records of the District Planning Office, the offices of the District Collector, District Panchayat, selected Blocks and Grama Panchayats and the concerned line departments and autonomous institutions during December 2010 to March 2011.

2.1.2.2 Audit Objectives

The objectives of the audit were to assess whether:

- the planning process for different programmes was efficient;
- the financial management was efficient and effective;
- the implementation of programmes/schemes was efficient, effective and economical;
- an efficient monitoring mechanism was in place.

2.1.2.3 Audit Criteria

The audit findings were benchmarked against the following criteria:

- District Plans and Annual Plans;
- Guidelines of the concerned schemes/programmes, issued by the Central/State Government;
- Provisions of the Government Financial Rules and the Memorandum of Association of bodies;
- Prescribed monitoring mechanisms.

2.1.2.4 Audit Methodology

An entry meeting was held (3 February 2011) with the District Collector along with the implementing officers of various schemes. In the meeting, the audit objectives, the scope of audit and the programmes proposed for audit were discussed. The audit involved examination of documents of offices at the district, block and Grama Panchayat level. Photographic evidence and physical verification were also taken into consideration to substantiate the audit observations.

Three Block Development Offices (out of 13), namely, Palakkad, Nemmara and Attappady and six Grama Panchayats (out of 91), namely, Parali, Keralassery, Ayilur, Nelliampathy, Pudur, Sholayur were selected on judgemental method as samples for detailed scrutiny. The records of the District Collector, the District Planning Office, the Principal Agriculture Office, the District Office of Scheduled Castes/Scheduled Tribes Development Departments, the District Project Office (SSA), the District Health Society (NRHM), the District Medical Office of Health, the Divisional Offices of Kerala Water Authority (KWA), the District Office of SHM, and the Attappady Hills Area Development Society (AHADS) etc. were also scrutinized.

An exit meeting was held on 21 July 2011 with the Deputy Collector on behalf of the District Collector (who was not available due to unforeseen reasons) wherein it was assured that replies to audit observations would be furnished at the earliest. No reply has, however, been received so far (October 2011).

2.1.3 Planning

2.1.3.1 District Planning

According to the guidelines for district plans in the Eleventh Five Year Plan issued by the Planning Commission, district planning is the process of preparing an integrated plan for the district taking into account the resources (natural, human and financial) available and covering the sectoral activities and schemes assigned to the district level and below and those implemented through local Governments. The document that embodies this statement of resources and allocation for various purposes is known as the District Plan.

2.1.3.2 District Planning Committee

The Constitution (74th Amendment) Act, 1992, envisaged constitution of a DPC in every State at the district level. The Kerala Municipality Act, 1994, provided for constitution of the DPC consisting of 15 members. The DPC in the district was first constituted in 1997 and was reconstituted in March 2006 with the District Panchayat President as the Chairman, the DC as the ex-officio-Secretary and 12 elected members of the District Panchayat and municipalities as members.

The DPC is required to consolidate the Plans prepared by the LSGIs and prepare a draft development plan for the district as a whole. The DPC is to monitor the physical and financial progress of the approved district planning schemes and evaluate the programmes already completed.

The guidelines issued (August 2006) by the Government of India (GOI) also stipulated integration of the plans prepared by the LSGIs with the departmental plans of the district and prepare the draft five year Plan and Annual Plans.

2.1.3.3 Integrated District Development Plan and Local Development Plan

The preparation of Integrated District Development Plan for the district and Local Development Plans had not yet been completed

The State Government directed (February 2007) the District Collectors to prepare Local Development Plans (LDPs) for all LSGIs and Integrated District Development Plans (IDDPs) for the districts under the auspices of DPC. The Plans were to consist of a Perspective Plan for 15-20 years and an Execution Plan for five years. In the district, the preparation of LDP and IDDP had not yet been completed. It was also seen that Annual Plans for the district had not been prepared.

The DPO stated (October 2011) that he had not received any directions from the Government for preparing Annual Plans of the district. Each LSGI prepared its Annual Plan and it was implemented after approval by the DPC.

In the absence of LDPs and IDDP, gaps in various developmental schemes remained unidentified and there was no assurance that the needs of the weaker sections of the society and prioritization of developmental programmes had been adequately addressed.

2.1.4 Financial Management

2.1.4.1 Flow of funds

Funds are allotted to the District Departmental Officers through the State Budget. The district level departmental officers release funds to their subordinate offices and other executing agencies, based on the approved allocation for individual schemes. In respect of certain Central Schemes like MPLADS, funds are released directly by GOI to the district administration. In respect of Central schemes like NRHM, GOI releases funds directly to the State level units from where funds are allotted to the district offices. The State Government allot funds directly to Panchayati Raj Institutions/urban local bodies for implementation of schemes under the decentralized planning programme. It was found that there was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under each programme/scheme implemented in the district. The position of funds received and expenditure incurred during 2005-10 in the case of certain selected departments/programmes is given in **Table 2.1**:

Table 2.1: Position of funds received and expenditure incurred in the case of certain significant programmes

(₹ in crore)

Sl. No.	Department/ Programmes	Funds received	Expenditure incurred
1	Health – National Rural Health Mission (NRHM)	28.88	27.90
2	Education – Sarva Siksha Abhiyan (SSA)	54.14	47.13
3	Water Supply	58.45	60.67
4	Prime Miniter's Special Rehabilitation Programme (Vidarbha Package)	44.24	34.92
5	State Horticulture Mission (SHM)	20.35	24.34
6	Attappady Wasteland Comprehensive Environmental Conservation Project	153.50	171.36
7	MP Local Area Development Fund	19.00	17.97
8	Special Development Fund for MLAs	41.25	36.43
9	e-Literacy (Akshaya)	4.50	0.47
10	Scheduled Tribes Development Department	11.06	11.46
11	Integrated Tribal Development Project (ITDP) – Attappady	21.31	21.39
12	Scheduled Castes Development Department	93.10	93.24

Source: Departmental figures

Analysis of the fund management of the above schemes revealed significant deficiencies in the maintenance of accounts of Sarva Shiksha Abhiyan (SSA) and State Horticulture Mission (SHM) as detailed below:

An amount of ₹ 50.23 lakh released by the district office of SSA remained unadjusted

- As on 31 March 2010, ₹ 50.23 lakh released by the district office of SSA to the Block Resource Centres for various activities remained unadjusted.

There was excess expenditure of ₹ 3.99 crore in the office of the Deputy Director of Agriculture

- Funds allotted by SHM to its District Mission Offices were routed through the respective bank accounts. As per the bank account maintained by the District Mission at State Bank of India, Palakkad, the balance as of 31 March 2010 was ₹ 5.62 crore. As per the details of receipts and payments furnished by the Deputy Director of Agriculture (Horticulture), who was in charge of the District Office, there was an excess expenditure of ₹ 3.99 crore as on 31 March 2010. The Deputy Director did not prepare any annual financial statement or conduct any bank reconciliation.

The Deputy Director stated (October 2011) that the reconciliation of expenditure for the period 2005 to 2010 was being conducted and only on completion of the reconciliation, would it be possible to explain the differences.

Social Services

2.1.5 Health

The District Medical Officer of Health (DMOH), Palakkad, functioning under the Health & Family Welfare Department was responsible for providing health care services to the people of the district. The services were provided through a network of six hospitals (one district hospital and five Taluk hospitals); a Tribal Speciality hospital at Kottathara; 20 Community Health Centres (CHCs); 75 Primary Health Centres (PHCs) and 504 Sub-Centres (SbCs).

Audit selected three CHCs (Nemmara, Parali and Agali), five PHCs (Nelliampathy, Ayilur, Keralasseri, Pudur and Sholayur) and 35 SbCs. The results of audit are summarized below.

2.1.5.1 Planning

NRHM was launched in April 2005 by the Government of India (GOI) with the goal of providing accessible, affordable and quality health care to the rural population.

The District Health Society (DHS) with the DMOH as the Chief Executive Officer and assisted by the District Programme Manager (DPM) is the district level implementing agency of NRHM. The DHS was required to prepare a Perspective Plan for the entire mission period 2005-12 and Annual Plans for the district. But no such plan for the district had been prepared though Annual Plans were being prepared for each year.

The DMOH stated (October 2011) that the Perspective Plan had not been prepared as there was no direction from higher authorities.

The reply of the DMOH is not acceptable as it was clearly mentioned in the guidelines for implementation of NRHM that a Perspective Plan should be prepared for each district.

2.1.5.2 Status of Infrastructure, Manpower and Services at Health Centres

As per the GOI norms, the population fixed for CHC, PHC and SbC was 1,20,000, 30,000 and 5,000 respectively (in plain area).

It was seen in Audit that the population norm fixed by GOI had not been completely adhered to in creation of CHCs, PHCs and SbCs. The population under a CHC ranged from 1,12,280 (CHC, Parali) to 258790 (CHC, Koduvayur) and in 40 PHCs the population was less than 30,000.

The major items of infrastructure to be provided in CHCs, PHCs and SbCs as per the Indian Public Health Standards (IPHS) and their availability position in respect of the centres visited by audit were as detailed in **Table 2.2**:

Table 2.2: Details of infrastructure facilities in Health Centres audited

Sl. No	Particulars	CHC (3)		PHC(5)		Sub Centre (35)	
		Required	Available	Required	Available	Required	Available
1.	Clinic room	3	3	5	5	35	24
2.	Waiting room (Out Patients)	3	2	5	1	35	16
3.	Separate utilities for male/female patients	3	3	5	1	35	5
4.	Labour room	3	3	5	1	35	0
5.	Operation theatre	3	3	5	2	NR	0
6.	Emergency/Casualty room	3	2	5	2	NR	0
7.	Drinking water	3	3	5	3	35	35
8.	Generator	3	2	5	1	NR	
9.	Oxygen cylinder	3	3	5	4	NR	
10.	Wheel chair/stretcher	3	3	5	1	NR	
11.	Ambulance	3	2	5	1	NR	

NR - Not required

Audit scrutiny revealed the following:

Essential facilities like ambulance services, generators, labour rooms, operation theatres, etc were not available in test-checked CHCs, PHCs and SbCs

- Almost all essential infrastructure facilities were available in all the three CHCs. Ambulance service was not available in one CHC.
- Waiting rooms for out-patients, separate utilities for male/female patients, labour rooms, generators, wheel-chairs/stretchers and ambulances were not available in four out of the five PHCs test-checked.
- Operation theatres and emergency/casualty rooms were not available in three out of five PHCs test-checked.
- No labour room was available in any of the sub-centres and separate utilities for male/female patients were available only in five out of the 35 test-checked SbCs.

The basic health care services required to be provided in various centres and their availability in the centres visited by Audit were as detailed in **Table 2.3**:

Table 2.3: Details of health care services at various centres audited

Sl. No	Particulars	CHC (3)		PHC(5)	
		Required	Available	Required	Available
1.	In- patient services (IP)	3	3	5	1
2.	Delivery services	3	1	5	0
3.	Newborn care	3	1	5	0
4.	Emergency services	3	1	5	0
5.	Laboratory services	3	2	5	1
6.	Blood storage facility	3	0	NR	
7.	Ultra sound	3	0	NR	
8.	X-Ray	3	2	NR	
9.	ECG	3	2	NR	
10.	Full range of family planning services	3	0	NR	
11.	Paediatrics– care of sick children	3	0	NR	
12.	Emergency obstetric care/ Caesarean surgery	3	0	NR	
13.	Surgery for Hernia, Hydrocele, Appendicitis	3	0	NR	

NR – Not required

Audit scrutiny revealed the following:

- Delivery services, newborn care services and emergency services were available in only one out of the three CHCs test-checked.
- Blood storage facilities, ultra sound, full range family planning services, paediatrics-care of sick children, emergency obstetric care/caesarean surgeries and surgeries for Hernia, Hydrocele, Appendicitis were not available in any of the CHCs test-checked.
- Delivery services, newborn care and emergency services were not available in any of the PHCs test-checked.
- In-patient services and laboratory services were not available in four out of the PHCs test-checked.

The Government of Kerala fixed the staff strength in respect of CHCs, PHCs and SbCs as per IPHS in May 2008. In order to standardise the health institutions, the Government of Kerala decided (November 2008) that the manpower required as per the IPHS would be sanctioned in due course. The Government was still to provide the required manpower as per the IPHS standards. The actual number of staff in position against the required strength in the CHCs, PHCs and SbCs audited is as detailed in **Table 2.4**:

Table 2.4: Details of manpower required and available in the various centres audited

Sl. No	Designation	CHC (3)		PHC(5)		SbC (35)	
		Required	Available	Required	Available	Required	Available
1.	Specialist Doctors	15	Nil	NR		NR	
2.	Dental Surgeon	3	Nil	NR		NR	
3.	General Duty Medical Officer	18	14 (10+4)#	15	5 (4+1)*	NR	
4.	Staff Nurse	57	22	25	4	NR	
5.	Pharmacist	9	3	10	3	NR	
6.	Lab Technician	9	1	10	0	NR	
7.	Radiographer	6	0	NR		NR	
8.	Junior Public Health Nurse	3	3	5	5	35	25
9.	Male Health Worker	NR		NR		35	0

NR – Not required

**One Compulsory Rural Service Doctor only at Nelliampathy*

 # Four doctors appointed on contract basis

Audit analysis revealed the following:-

- Specialist doctors and dental surgeons were not available in the CHCs test-checked against the requirement of 15 and three respectively.
- There was shortage of 35 staff nurses (61 *per cent*) and 21 staff nurses (84 *per cent*) respectively in the test-checked CHCs and PHCs against the requirement of 57 and 25. Incidentally, no staff nurse was available in PHC Nelliampathy.
- Though X-ray machines were available in two out of three CHCs test-checked, the post of radiographer remained vacant in all the CHCs.
- There were only three pharmacists available in the test-checked CHCs and PHCs against the requirement of nine and 10 respectively.
- In the case of laboratory technicians, only one was available against the requirement of nine in CHCs and none was available in PHCs against the requirement of 10.
- Male health workers were not available in any of the SbCs test-checked.

The DMOH stated (October 2011) that the Government had not taken any steps for posting specialist/general doctors and other staff. It was also stated that there was scarcity of specialist/general doctors. However, the fact remains that the public was denied adequate health care facilities in the district, even though the infrastructure was available to some extent.

2.1.5.3 Non-utilization of equipment

Non-utilisation of equipment worth ₹ 50.23 lakh in two hospitals due to absence of infrastructure facilities

In Government Tribal Speciality Hospital (GTSH), Kottathara and District Hospital, Palakkad, it was noticed in audit that various types of equipment supplied under NRHM were not being utilised as detailed in **Table 2.5**:

Table 2.5: Equipment not utilised in the Health Institutions

Name of Institution	Name of item	Month of supply/ receipt	Cost (*₹in lakh)*	Remarks
GTSH, Kottathara	Autoclave-Horizontal	March 2010	10.14	Not put to use due to not providing three phase connection.
	Fully Automatic Haematology Analyser	June 2010	2. 49	Not used from June 2010 due to non-availability of reagents.
District Hospital, Palakkad	Anaesthesia Workstation	April 2010	3.95	Operation theatre under renovation
	Multi parameter monitor	April 2010	1.46	Trauma unit under construction
	Pulse Oxymeter	May 2010	3.62	Trauma unit under construction
	Ventilator ICU	December 2009	6.50	Trauma unit under construction
	Ventilator Non invasive	February 2010	5.10	Trauma unit under construction
	Cardiac Monitor	December 2009	2.65	Trauma unit under construction
	Defibrillator with cardiac Monitor	January 2010	1.84	Trauma unit under construction
	Arthroscopy camera, Instruments and shaver system	January 2010	12.48	Operation theatre under renovation
		Total	**50.23**	

The DMOH stated (October 2011) that the equipment was supplied by NRHM as part of State-wide supply by the State Government. The fact remains that NRHM procured the equipment without construction of infrastructure facilities, leading to non-utilisation of equipment in the above institutions for periods ranging from one to two years.

2.1.5.4 Failure to utilize surgical kits

Surgical kits costing ₹ 1.01 crore were lying idle in the District Family Welfare Store

The State Mission supplied (September 2007 and April 2008) 40 surgical kits in two batches of 20 (each kit costing ₹ six lakh) to the DMOH for distribution to various health institutions in the district. Each kit contained 11 sets (viz. surgical set I, II, III, IV, V, VI, IUD insertion kit, normal delivery kit, neonatal kit, blood transfusion kit and anaesthesia kit). The first batch of 20 kits was supplied to 16 institutions. The second batch of 20 kits was also to be supplied to the same institutions. Only three kits could be supplied as the institutions were not willing to accept further supplies. Seventeen kits (excluding three sets out of one kit) costing ₹ 1.01 crore were lying idle in the District Family Welfare Store since April 2008. In CHCs Nemmara, Agali and GTSH Kottathara, it was noticed that most of the items in the kits were not being put to use.

The DMOH stated (October 2011) that the supply was not against the indents from the institutions and surplus stock had not been transferred to other institutions as there was no request from them. The DPM stated (January 2011) that the kits were not utilised for want of specialist doctors in the respective hospitals. Evidently, the purchase was made without assessing the actual requirement or ascertaining the demands from the hospitals/centres concerned.

Idling surgical kits – (1) CHC, Agali **(2) GTSH, Kottathara**

2.1.5.5 Non/under-utilisation of facilities in the Tribal Speciality Hospital

In the Tribal Hospital at Kottathara, Attappady, three posts of specialist doctors were sanctioned by the Government (June 2007) and the hospital was classified (November 2008) as a speciality hospital. The Government approved (October 2009) six posts of specialist doctors in medicine, surgery, gynaecology, anaesthesia, paediatrics, and ophthalmology. But no specialist doctors were appointed in the Hospital. In the absence of specialist doctors, the infrastructure facilities available in the hospital, like 54-bedded IP Ward, Operation Theatre (General and Ophthalmology), General ICU, Neo-natal ICU were under-utilised/not utilised.

The DMOH stated that specialists were not appointed due to scarcity of doctors.

2.1.5.6 Failure to use Advanced Life Saving Ambulances

Two Advanced Life Saving Ambulances fabricated at a cost of ₹ 56 lakh were allotted (March 2011) by the State Mission to Palakkad District for distribution to the District Hospital and GTSH, Kottathara. But these were lying idle in the District Hospital compound till September 2011.

The DMOH stated (October 2011) that one of the ambulances was put to use at the District Hospital and the one allotted to GTSH, Kottathara was transferred to Alapuzha as per directions of the Government. The tribal people of the area covered by GTSH, Kottathara were thus deprived of the ambulance facility.

2.1.5.7 Implementation of activities under NRHM

The objectives of NRHM are to reduce Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Total Fertility Rate (TFR). The performance of various activities under NRHM during 2005-10 was as follows:

(i) Accredited Social Health Activists (ASHA)

For promoting healthcare activities/programme under NRHM, trained female health workers called ASHAs were to be provided in the ratio of one per 1000 population to act as an interface between the community and the health care system. Against the target of 2800, 2686 ASHAs were appointed. Out of the above, 2,561 ASHAs were trained.

(ii) Janani Suraksha Yojana (JSY)

The Janani Suraksha Yojana is a safe motherhood intervention under NRHM being implemented with the objective of reducing maternal and neo-natal mortality. To promote institutional deliveries, JSY was introduced in April 2005 under which cash assistance of ₹ 700 each to BPL/SC/ST pregnant women for the first two live births for institutional and ₹ 500 for domiciliary deliveries were to be given. DMOH did not furnish the figures of the total number of SC/ST/BPL pregnant women and number of women to which the assistance was given for deliveries in hospitals under the Government and the private sector separately, for the years 2005-10 in the district. In the absence of adequate data, it could not be ascertained whether all eligible women were given the assistance.

As per NRHM guidelines, assistance to JSY beneficiaries should be made at the time of delivery. On a test check of the assistance made in CHC Nemmara, PHCs Nelliampathy, Keralassery and Ayilur, it was seen that out of 614 cases, only 12 cases were given assistance within 10 days from the date of delivery. In 597 cases, the delay ranged from 11 to 730 days and in five cases the delay was more than 730 days.

The DMOH stated (October 2011) that delay in payment of assistance was due to the inertia of the peripheral institutions.

(iii) Declining trend of delivery cases in Government hospitals

The details of deliveries in the district during the period 2005-10 are as detailed **Table 2.6**:

Table 2.6 : Details showing institutional/domiciliary cases of delivery

Period	Number of pregnant women registered	Number of deliveries		
		In Government hospitals	In Private hospitals	Domiciliary
2005-06	49450	19806	27831	399
2006-07	49759	10568	18198	307
2007-08	48765	21934	24229	315
2008-09	48073	8536	28611	283
2009-10	43637	7729	30176	213

Source: Departmental figures

Audit scrutiny revealed the following.

- In the district, the number of domiciliary delivery cases was very low.
- In the case of institutional deliveries, the number of cases in Government hospitals showed a downward trend while there was an increase in deliveries in private hospitals during the period 2007-10. Though an amount of ₹ 28 crore had been spent for the years 2005-10 under NRHM, the public were depending more on private hospitals for services which indicated that the programme was not effective in raising the level of confidence among users by providing better services.
- There was a huge difference between the number of pregnant women registered and the number of delivery cases during 2006-07 and 2008-09. This indicated inadequate data collection and documentation.

(iv) Ante-natal Care

The table below indicates the details of ante-natal care given to pregnant women during 2005-10.

Table 2.7: Details of ante-natal care to pregnant women

Year	Number of pregnant women registered	Number administered		
		Three ante-natal check-up	Two doses of TT	100 Iron/ folic acid
2005-06	49450	36893	44154	46619
2006-07	49759	37450	40135	19260
2007-08	48765	36551	39589	38135
2008-09	48073	37944	44551	28380
2009-10	43637	32943	38764	20286

Source: Departmental figures

Except for 2005-06, there was shortfall in administration of 100 iron/folic acid and three ante-natal check-ups.

The DMOH stated (October 2011) that the shortfall was due to data relating to private hospitals not being fully accounted for.

(v) Family Planning

The details of sterilization of women and men in the district were as detailed in **Table 2.8**:

Table 2.8: Details of sterilization

Year	Female sterilization			Male sterilization		
	Target	Achievement	Shortfall	Target	Achievement	Shortfall/ excess
2005-06	14015	11486	2529	101	65	36
2006-07	12000	10820	1180	91	21	70
2007-08	12500	10642	1858	70	26	44
2008-09	13100	11206	1894	100	341	241*
2009-10	13350	11003	2347	700	247	453

Source: Departmental figures * Achievement in excess of target

The target fixed for sterilization was not achieved in any of the years except for male sterilization during 2008-09.

The DMOH stated (October 2011) that non-achievement of the target was due to the change in attitude of the society.

2.1.5.8 National Programme for Control of Diseases

(i) National Vector Borne Diseases Control Programme

The National Vector Borne Diseases Control Programme is an umbrella programme for prevention and control of vector-borne diseases namely malaria, filaria, kala-azar, dengue, chikungunya and Japanese encephalitis through close surveillance, mosquito control through residual spraying of larvicides and insecticides and improved diagnostic and treatment facilities at Health Centres.

The reported cases of malaria, filaria, dengue and chikungunya during the period 2005-10 were as detailed in **Table 2.9**:

Table 2.9: Details of vector-borne diseases reported in the District

Year	Malaria	Filaria	Dengue	Chikungunya
2005-06	87	77	26	765
2006-07	66	47	6	271
2007-08	95	230	8	50
2008-09	87	358	19	36
2009-10	94	134	12	4

Source: Departmental figures

The DMOH stated (October 2011) that surveillance of the migrant population would be strengthened for eradication of the diseases.

(ii) National AIDS Control Programme

The National AIDS Control Programme (NACP) was launched by GOI in 1992. The programme has been extended up to 2012 with the objective of reducing the spread of HIV infection in the country and to strengthen the capacity to respond to HIV/AIDS on a long term basis.

The interventions of NACP to reduce the spread of HIV infection and awareness camps conducted for early diagnosis and treatment of the targeted population falling in the age group of 15 to 49 in the District during 2005-10 were as detailed in **Table 2.10**:

Table 2.10: Details of interventions under NACP in the District

Interventions of NACP	2005-06	2006-07	2007-08	2008-09	2009-10
Integrated Counselling & Testing Centre (ICTC)	4	4	4	7	9
No. of Blood Banks	2	2	4	4	4
No. of Blood Storage Centres	1	1	1	1	1
No. of Blood separation units	0	0	0	0	0
No. of population screened	1698	4172	4900	8934	10192
No. of HIV+ cases	121	204	174	221	265
No. of fully blown AIDS cases	102	109	159	171	345
Awareness programme given to Sex Workers (SW)	Data not available	2188	2355	2597	2650
Awareness programme given to Male Sex with Male (MSM)	Data not available	632	648	712	1004

Source: State AIDS Control Society

- There was a steady increase in the screening of the targeted population from 1,698 to 10,192 during 2005-10, indicating the awareness of the population for the need to come forward for testing.
- The number of HIV (positive) cases detected increased from 121 to 265 and the number of fully blown up cases increased from 102 to 345 during 2005-10.
- The number of awareness camps conducted among the targeted groups, increased from 2,188 to 2,650 (SW) and from 632 to 1,004 (MSM) during 2006-10.

2.1.6 Education

Education is one of the most important indicators of social progress of a nation. Both the State and the Central Governments have been spending huge amounts in this sector, especially in the elementary education. The Sarva Shiksha Abhiyan (SSA) is one of the flagship programmes of the GOI for universalisation of elementary education.

2.1.6.1 Elementary Education

The SSA Programme was launched (2001) to provide quality elementary education to all the children of the age group of 6-14 years with active participation of the community, with special focus on educational needs of girls, SCs/STs and other children in difficult circumstances. The District Planning Committee comprising the District Collector and the District Panchayat President, assisted by the Deputy Director of Education, the Principal, District Institute of Educational Training and the Project Officer (SSA) is required to supervise the planning and implementation of the SSA programme in the district.

2.1.6.2 Enrolment

There was a decrease in enrolment of children in Government/aided schools during 2005-09

Under the SSA Programme, 100 *per cent* schooling of children of the targeted age group of 6-14 years was to be ensured. The enrolment of children of this age group (Standard I to VIII) for the years 2005-10 was as detailed in **Table 2.11:**

Table 2.11: Details of enrolment of children of 6 to 14 years in the District

Year	Number of schools		Enrolment				
	Govt LP+UP	Aided LP+UP	Govt	Aided	Total	Unaided	Grand total
2005-06	213+139	339+248	108866	217387	326253	23123	349376
2006-07	213+139	339+248	103343	214852	318195	24507	342702
2007-08	213+139	339+248	102005	223998	326003	25867	351870
2008-09	213+139	339+248	100132	211203	311335	27384	338719
2009-10	213+139	339+248	95553	208401	303954	27231	331185

Source: details furnished by SSA

Audit observed the following:

- There was a decrease in enrolment in Government/aided schools and increases in enrolment in unaided schools during 2005-06 to 2008-09.

The Project Officer stated (October 2011) that in most of the Government/Aided schools the medium of instruction was Malayalam. The higher enrolment in unaided schools was attributed to the preference to English medium schools.

- As per Para 9.6 of the Manual on Financial Management and Procurement, a survey of the child population of the 6-14 years age group should be conducted and the information should be provided in the Perspective Plan of the district. No survey was conducted and data was not maintained. In the absence of the above, Audit could not ascertain the achievement of the objective of SSA for providing 100 *per cent* schooling to the targeted 6-14 years age group.

The Project Officer, SSA stated (October 2011) that in the absence of any directions from higher authorities, no survey of the child population had been conducted so far.

- Out of the total enrolment, the admission of girl students was very close to the expected 50 *per cent*.

2.1.6.3 Decrease in the strength of students in Government/Aided Schools

Decrease in the strength of students was noticed in respect of 17 out of 30 schools visited by Audit. Seven schools did not have the minimum required strength of students.

The Project Officer stated (October 2011) that the reasons for the decrease in strength were the decreasing trend in the birth rate in the State year by year and the increase in the number of unaided English medium schools. The Project Officer further stated that decline in Government/Aided schools might not be due to the better quality of education in unaided schools but was due to the medium of instruction.

2.1.6.4 Infrastructure

The deficiencies noticed in the infrastructure and amenities in 16 Government and 14 Aided schools test-checked in the selected panchayats were as detailed in **Table 2.12**:

Table 2.12: Details of deficiencies in the infrastructure and amenities

Deficiency	Number of schools	
	Government (16)	Aided (14)
Building – weak structure	2	6
Building - with AC roof	4	1
Class room – no separation wall	6	8
Girls Toilet -not available	3	7
-not sufficient	3	-
Drinking water	3	1
Furniture shortage	7	5
Compound wall -not available -partial	- 6	4 2
Kitchen room - not sufficient	5	1
Playground (UP)	3	1
Electric connection-not available	1	1
Laboratory -no separate room (UP)	2	2

- Ten (33.33 *per cent*) schools did not have any toilet facilities for girl students.
- Drinking water facilities were not available in four schools.
- Classroom separation walls were not provided in 14 schools.
- Aided Lower Primary School (ALPS), Kinavallur with a student strength of 140 did not have a pucca kitchen for cooking mid-day meals. The mid-day meals were seen prepared in an unhygienic environment at the entrance of the only toilet available in the school.

ALPS, Kinavallur- Kitchen adjacent to Toilet

The Project Officer stated (October 2011) that the matter of not having a pucca kitchen in ALPS, Kinavallur was intimated to the Assistant Educational Officer for immediate action. This indicated that improvement of infrastructure in the aided schools which was to be done by the Manager concerned, was not ensured by the educational authorities.

2.1.6.5 Attendance in Schools

In the schools visited by Audit, the attendance of the students was as detailed in **Table 2.13**:

Table 2.13: Details of absence of students in the schools visited

Sl. No.	School	Date of visit	Total Strength	Absence on the day of visit
1	AUPS Keralasserry,	28/01/2011	99 (I&IV std)	31 (31%)
2	ALPS Kinavallur	03/02/2011	140	24 (17%)
3	Mount Carmel LPS Mammana	31/01/2011	640	192 (30%)
4	Aarogyamatha LPS, Kottathara	01/02/2011	630	74 (12%)
5	GTUPS, Mattathukad	01/02/2011	87	19 (22%)
6	GTWLPS, Kathilakandi	01/02/2011	52	21 (40%)

Audit observed that the attendance registers of students on the day of visit by Audit, showed blank against students who were absent instead of marking absent. The attendance on the date of visit was much lower than that normally indicated on other days.

The Headmasters of the schools stated that the reasons for the absence of students were illness, marriage of relatives, non-availability of transport etc.

The attendance of students is important not only from the academic point of view but also from the entitlements of a school for mid-day meals etc., which are directly linked to the number of students shown as present. Since attendance was lower than on other days in all the six schools visited, there was a need for effective supervision by the Educational Officers.

2.1.7 Water Supply

Provision of adequate and safe drinking water to all citizens, especially those living in rural areas has been a priority area for both the Central and the State Governments. In Palakkad district, water supply schemes funded by the Central, State and agencies like NABARD, LIC were being implemented during 2005-10 by the Kerala Water Authority (KWA).

2.1.7.1 Status of Water Supply

There were 11,883 habitations/wards in the State as on December 2008. All these 11,883 habitations attained fully covered status taking the private wells also into consideration. Out of the total habitations of 11,883, the habitations in Palakkad district were 1,136. The report prepared by KWA (October 2010) showed that there were 83 completed schemes and 11 schemes were in progress in the district.

2.1.7.2 Accelerated Rural Water Supply Programme

Under ARWSP during 2005-10, five schemes were badly delayed and nine schemes remained incomplete after spending ₹ 18.28 crore

The Accelerated Rural Water Supply Programme (ARWSP), a Centrally sponsored scheme was introduced in 1972-73 with the aim to ensure coverage of rural habitations with access to safe drinking water, sustainability of the systems and sources, to preserve quality of water by institutionalising water quality monitoring and surveillance.

The schemes taken up as well as on-going under ARWSP during 2005-06 to 2009-10 were not completed within the stipulated time. Five schemes were badly delayed and nine were in a standstill due to various reasons, as detailed in **Appendix 2.1** and **Appendix 2.2.**

The following observations were made in Audit:

- The delay in completion of five schemes which ranged from one to six years resulted in denial of benefits to the targeted population and also in cost escalation.
- Nine schemes taken up under ARWSP to benefit a population of 2.93 lakh in nine Panchayats remained incomplete after spending ₹ 18.28 crore due to improper planning.

2.1.7.3 Status of Water Supply schemes in three Panchayats

The audit team visited (March 2011) three Panchayats viz, Ayilur, Parali and Keralasserry to check the status of water supply and the findings were as discussed further: -

- Only six out of the 17 wards in Ayilur Panchayat were covered in the scheme (CWSS to Nemmara, Ayilur and Melarcode Panchayats) operated by KWA. Pumping could be done only on alternate days as only one 60 HP motor was available for two panchayats namely Ayilur and Melarcode. The remaining 11 wards were covered by mini schemes.

The Executive Engineer stated (October 2011) that there was one more stand-by pump set but could not be energized for want of additional power allocation.

- In Parali Panchayat the proposed comprehensive water supply scheme under ARWSP scheduled to be completed by August 2010 was not yet completed as the required permission for laying the pipe lines crossing the railway lines could not be obtained from the railway authorities.

The Executive Engineer stated (October 2011) that permission for railway crossing had since been obtained and the scheme would be commissioned by March 2012.

- In Keralassery Panchayat, no comprehensive scheme was available but mini-schemes were available.

The Executive Engineer stated (October 2011) that technical sanction for such a comprehensive scheme could not be obtained as the Panchayat did not furnish details of land availability.

Thus all the three test-checked Panchayats lacked access to safe drinking water as envisaged in ARWSP, as there were no comprehensive water supply schemes.

ARWSS Parali – Idling water treatment plant

2.1.7.4 Water quality

In the district, KWA has one Quality Control District Laboratory at Palakkad for water quality testing. Water Supply Schemes were categorized as A, B, C, D and E for quality testing according to the beneficiary population covered under the scheme. The frequency of tests to be conducted under each category and the number of samples to be tested are as detailed in **Table 2.14:**

Table 2.14: Frequency of water quality tests

Category	Frequency	No. of samples to be tested
A	Monthly	15
B	Monthly	11
C	Bimonthly	09
D	Quarterly	07
E	Half-yearly	03

(i) Targets and Achievements

The targets fixed for water testing and achievement (tests actually conducted) for the period 2005-10 were as detailed in **Table 2.15**:

Table 2.15: Details of samples of water tested

Year	Target	Achievement
2005-06	1132	1038
2006-07	1132	853
2007-08	1389	1212
2008-09	1625	1552
2009-10	1625	1512

It may be seen that the achievement of water quality testing conducted by the Quality Control District Laboratory was almost close to the target fixed by KWA.

(ii) Analysis of sample tests of CWSS Nemmara

As per the standards, safe drinking water should be free from bacteria. Audit scrutinized the reports on quality tests of water samples collected from six sampling points of CWSS Nemmara. The reports repeatedly indicated presence of bacteria (Coliform/ E-coli) as detailed in **Table 2.16**:

Table 2.16: Repeated presence of bacteria in sampling points of CWSS Nemmara

Sampling points	Date of testing	Presence of Bacteria (No./ per 100ml)	Date of testing	Presence of Bacteria (No./ per 100ml)	Date of testing	Presence of Bacteria (No./ per 100ml)
OHSR Nemmara	22/10/2009	1100+	28/12/2009	210	25/02/2010	1100+
Tap at NSS College, Nemmara	10/08/2009	93	22/10/2009	1100+		
DP at St. John's School, Akapadam	28/12/2009	1100+	25/02/2010	29	07/12/2010	1100+
Treated Water	10/08/2009	42	07/12/2010	1100+		
DP at Pothundy Junction	28/12/2009	1100+	25/02/2010	21	07/12/2010	1100+
DP at VALP School, Aluvassery	28/12/2009	1100+	07/12/2010	1100+		

Repeated presence of bacteria in the samples collected from the same sampling points indicated that KWA did not take remedial action to eliminate the bacteria and failed to provide safe drinking water to the population covered under the scheme.

Audit analysed the test results of 44 samples tested in respect of CWSS, Nemmara and Ayilur panchayats during the year 2010 and the details were as in **Table 2.17**:

Table 2.17: Details of test results of water samples

Date of collection	Number of samples	No. of samples with presence of coliform bacteria*	Iron above permissible limit (1 mg/litre)	Turbidity above permissible limit (10 NTU)	Absence of Residual Chlorine (0 mg/litre)
23/02/2010	9	5	-	-	-
21/04/2010	9	1	1	4	-
23/06/2010	8	6	1	1	-
06/08/2010	9	8	-	-	-
06/12/2010	9	8	1	-	9

*permissible number of bacteria present in the sample is zero

The presence of coliform bacteria, iron, turbidity etc., indicated in the test results showed that KWA failed to supply safe drinking water even though there were water treatment plants in CWSS Nemmara and Ayilur.

(iii) Analysis of samples of open wells

In 2010-11, the District Laboratory had taken 150 and 100 open well water samples from Parali and Keralassery Panchayats respectively for quality tests. All the samples showed the presence of coliform bacteria which indicated that the well water used in the panchayats was polluted and harmful for consumption.

Economic Services

2.1.8 Scheduled Caste and Scheduled Tribe Development Department

2.1.8.1 Housing to Scheduled Castes

Out of the 7,659 houses sanctioned during 2005-10, 5,920 houses were completed (77 *per cent*)

The SC population in the district is 4,32,578, which accounts for 16.53 *per cent* of the total population. A housing scheme for the benefit of the SC population was implemented in the district through the District Development Officer for SCs. The grants provided for each house with a minimum plinth area of 323 sq. feet varied from ₹ 70,000 (2005-2006) to ₹ one lakh (2009-10). The amounts for the beneficiaries were to be disbursed in four instalments on completion of each stage of construction.

The total number of houses sanctioned, and those remaining incomplete during 2005-10 were as detailed in **Table 2.18**:

Table 2.18: Details of implementation of housing scheme

Year of sanction	Number of houses			
	Sanctioned	Completed as on 31 March 2011	Percentage of completion	Incomplete as on 31 March 2011
2005-06	766	681	89	85
2006-07	665[6]	571	86	94
2007-08	1873	1607	86	266
2008-09	2180	1759	81	421
2009-10	2175	1302	60	873
Total	**7659**	**5920**	**77**	**1739**

[6] Construction and handing over the houses were entrusted to Kerala State Nirmithi Kendra

- From the above table, it was noticed that the percentage of completion of houses ranged from 60 to 89. However, an amount of ₹ 9.22 crore had already been released (2005-10) to the beneficiaries towards construction of houses but 1,739 houses remained incomplete at various stages. It was stated by the department that the non-completion of houses was due to insufficient financial assistance from the Government and financial hardships of beneficiaries.

2.1.8.2 Housing to Scheduled Tribes

Against the sanction of 799 houses to STs during 2006-10, only 356 houses were completed (45 *per cent*)

The Scheduled Tribe population in the district is 39,665 which is 1.52 *per cent* of the total population of the district. The housing scheme for the benefit of ST population was implemented in the district through the Tribal Development Officer and the Project Officer, Integrated Tribal Development Project (ITDP), Attappadi. The rates of assistance for each house varied from ₹ 75,000 (2006-07), ₹ one lakh (2007-09) to ₹ 1.25 lakh (2009-10).

The details of houses sanctioned to the ST population in the district during 2006-10 were as detailed in **Table 2.19**:

Table 2.19: Details of houses sanctioned and incomplete

Year of sanction	Sanctioned		Incomplete as on 31 March 2011			
	Tribal Development Officer	Project Officer, ITDP	Tribal Development Officer		Project Officer, ITDP	
			No.	Percentage	No.	Percentage
2006-07	175	130	94	54	13	10
2007-08	18	20	4	22	5	25
2008-09	22	20	10	45	13	65
2009-10	154	260	124	81	180	69
Total	**369**	**430**	**232**	**63**	**211**	**49**

It was noticed in audit that the percentage of shortfall in completion of houses sanctioned by the District Tribal Development Officer and the Project Officer, ITDP was 63 and 49 respectively. The Project Officer, ITDP stated (March 2011) that the non-completion of houses was due to the shortage of building materials, wide fluctuations in the cost of materials, hike in transportation cost of materials, etc.

2.1.9 Member of Parliament Local Area Development Scheme

Under MPLADS, each Member of Parliament (MP) can identify and suggest developmental works based on locally felt needs for the creation of durable assets. The allocation to each MP per year is ₹ two crore. In Kerala, the Planning and Economic Affairs Department has been declared as the nodal department for MPLADS. The District Collector is responsible for sanctioning the works recommended by the MPs, get the works executed and hand over the same to the concerned department or user agency.

Audit scrutiny of the implementation of the scheme revealed that the unspent/uncommitted balance left in respect of former MP of Palakkad in the 14th Lok Sabha was ₹ 76,41,535. This was redistributed (August 2011) equally among all the 20 MPs of the State representing the 15th Lok Sabha based on GOI directions (May 2010). Thus the people of Palakkad Lok Sabha constituency were deprived of developmental works of the above mentioned amount.

2.1.10 Special Development Fund for Members of Legislative Assembly

₹ 19.62 crore released under MLA SDF remained unutilised in the TSB accounts

The 'Special Development Fund for Members of Legislative Assembly' (MLA SDF) was notified in October 2001 to enable Members of the Legislative Assembly (MLA) to create durable assets for public use at large. The implementation of the scheme was governed by guidelines issued by the State Government. The annual allotment under the scheme to each MLA was ₹ 75 lakh per annum. The scheme is fully funded by the State Government and the funds released under the scheme are non- lapsable.

The District Collector is the nodal officer for the release of funds for the works recommended by MLAs under the scheme of MLA SDF. During the period 2005-10, the District Collector received ₹ 41.25 crore for the scheme and sanctioned 1774 works amounting to ₹ 40.96 crore. Out of the above, 1,653 (93 *per cent*) works had been completed.

Audit revealed the following;

- An amount of ₹ 19.62 crore was lying in the Treasury Savings Bank accounts unutilised as on 31 March 2010. A minimum balance of ₹ 3.74 crore was parked in the account from March 2008 onwards.
- A total of 121 works were not completed for reasons such as non-availability of materials, public objection, vagaries of nature, revision of estimates, delays in getting sanction from various departments, etc.

2.1.11 Prime Minister's Special Rehabilitation Package (Vidarbha Package) Agriculture

An amount of ₹ 1.89 crore out of ₹ 2.71 crore was lying unutilised in a bank account

Palakkad district was included under the PM's Special Rehabilitation Package (Vidarbha Package) for farmers in suicide-prone districts of the country. One component of the scheme was micro-irrigation (drip/sprinkler Irrigation). The objective of the component was to increase crop productivity; conservation of water, sustainable use of water, etc. GOI released (September 2006) ₹ 2.71 crore for implementation of the programme in the district, out of which ₹ 1.89 crore was lying unutilised in a bank account operated by the Principal Agricultural Officer (PrAO) as on 31 July 2010. The details of the physical target and achievement were as detailed in **Table 2.20:**

Table 2.20: Details of drip /sprinkler Irrigation

Year	Drip Irrigation (In Ha)		Shortfall (Percentage)	Sprinkler Irrigation(In Ha)		Shortfall (Percentage)
	Target	Achievement		Target	Achievement	
2006-07	1290	483.46	63	1000	94.30	91
2007-08	804.60	394.47	51	901.93	62.06	93
2008-09	304	316.34	-	816.40	59.21	93
2009-10	548	229.08	58	752.60	46.14	94

The low utilization indicated that there was not much demand for the scheme in the region.

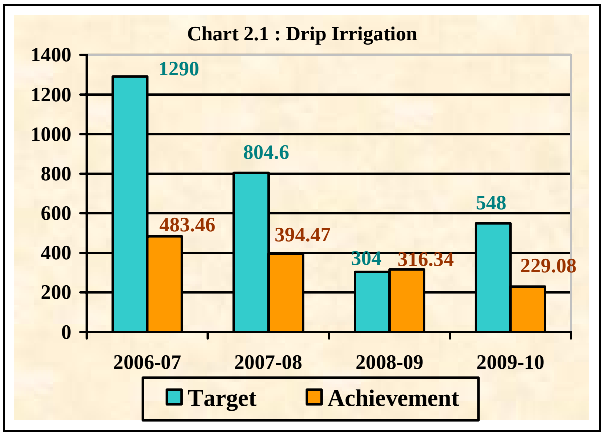
The reasons stated by the PrAO were:

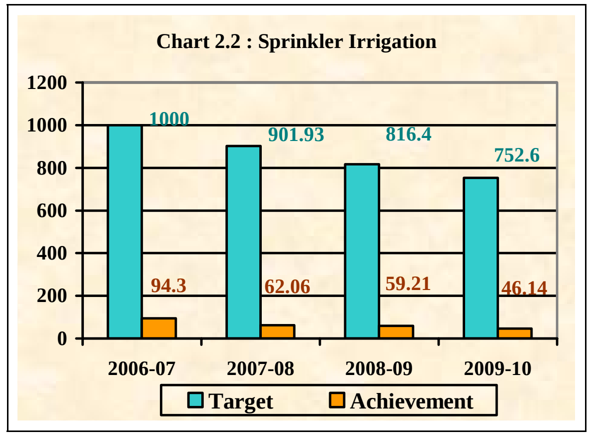
(i) high cost of material of installations as per the GOI norms;

(ii) low rate of subsidy in comparison to the cost of material;

(iii) adequate rainfall from May to October.

It was observed that the PrAO had not brought out the reasons for non-popularisation of the scheme to the notice of the Government.





2.1.12 State Horticulture Mission

The State Horticulture Mission (SHM) was set up to implement the National Horticulture Mission Programme, a Centrally sponsored scheme, introduced during the financial year 2005-2006. The objectives of the mission were to provide holistic growth of the horticulture sector, to enhance income support to farm households and to create opportunities for employment generation. SHM is headed by a Mission Director at the State level. The District Horticulture Mission with the PrAO as the Vice Chairman and the Deputy Director of Agriculture (Horticulture) as the Member Secretary is the implementing agency at the district level. The programme was implemented through Krishi Bhavans of the district.

2.1.12.1 Planning

The mission period was 2005-12 (which was extended up to 2017). The programme was implemented based on Annual Action Plans (AAP) approved by the Mission Director.

2.1.12.2 Implementation

Progress reports of AAP in the district showed that the targets fixed could not be achieved. The targets and achievements for the period 2005-09 (details for 2009-10 not furnished) as on 31 March 2009, in respect of major components of the programme, namely (i) production of planting materials (ii) establishment of new gardens (iii) rejuvenation/productivity enhancement (iv) organic farming (v) establishment of marketing infrastructure (vi) project-based activities were as detailed in **Table 2.21**:

Table 2.21: Details of programmes implemented under SHM

Sl. No.	Item/component	Unit	Physical		Shortfall (*per cent*)
			Target	Achievement	
1	**Production of planting materials**				
	Rehabilitation of existing tissue culture units	Number	7	2	71
	Seed infrastructure	Number	31	31	0
	Vegetable seed production Public sector Private sector	Hectare	 14.50 12.00	 1.10 2.00	 92 83
2	**Establishment of new gardens**				
	Fruits	Hectare	11113.70	5598.70	50
	Vegetables	Hectare	1211.00	708.15	42
	Flowers	Hectare	129.54	58.54	55
	Spices	Hectare	4193.10	1595.99	62
	Plantation crops	Hectare	1415.00	388.38	73
	Mushroom	Hectare	112.00	40.38	64
	Cocoa	Hectare	200.00	0	100
	Medicinal plants	Hectare	50.40	22.10	56
3	**Rejuvenation/productivity enhancement**	Hectare	5235.00	458.20	91
4	**Organic farming**				
	Adoption of organic farming	Hectare	1571.89	802.44	49
	Vermi compost units	Number	620.00	183.50	70
5	**Establishment of marketing infrastructure**				
	Rural markets	Number	22	0	100
	Wholesale markets	Number	27	0	100
6	**Project based activities**				
	Plant health clinic	Number	5	0	100
	Leaf tissue analysis lab	Number	3	0	100
	Disease forecasting unit	Number	3	0	100
	Bio control lab	Number	1	0	100

The above table shows the following:

- The achievements were far below the targets fixed. The percentage of non-achievement varied from 100 to 42. Hundred *per cent* achievement was seen only in respect of seed infrastructure.

There was no achievement in the components ‘Establishment of marketing infrastructure’ and ‘Project based activities’

- There was no achievement under the components 'Establishment of marketing infrastructure' and 'Project based activities' and hence the shortfall was 100 *per cent*.
- As on 31 March 2010, there was a balance of ₹ 5.62 crore lying in the bank account of the District Horticulture Mission, which showed that funds received for the implementation of the SHM programme were not being utilised efficiently.

The Deputy Director stated (October 2011) that shortage of staff at Krishi Bhavans and heavy workload of Agricultural Officers were the reasons for non-achievement of targets.

The reply of the Deputy Director is not acceptable as no steps were taken to utilise the Central assistance. Thus the objectives of the mission to enhance income support to farm households and to create opportunities for employment generation were denied to the farmers.

2.1.13 Attappady Wasteland Comprehensive Environmental Conservation Project (AWCECOP)

The Attappady Wasteland Comprehensive Environmental Conservation Project sanctioned by the State Government in October 1995 was to be implemented in the tribal block of Attappady in Palakkad district at a total cost of ₹ 219.31 crore. The project envisaged sustainable development of Attappady by planning and implementing an eco-restoration programme in degraded areas through a variety of measures to arrest denudation of land and further deforestation; conserve water resources and consequently, stabilize the environment leading to economic development and employment generation for people below the poverty line, with focus on Scheduled Tribes, particularly women. The Government of Kerala entrusted (October 1995) the implementation of the project to the Attappady Hill Area Development Society (AHADS), Agali (a society registered under the Societies Registration Act, 1860) functioning under the LSGD. The total area and the identified wasteland project area were 745 sq.km and 372.43 sq.km respectively.

The project was partly funded by the Government of Kerala and partly through loans from the Japan Bank for International Co-operation (now Japan International Co-operation Agency (JICA)). The project period was seven years from March 1996, later extended up to December 2010.

2.1.13.1 Planning

A Perspective Plan for the entire project period had not been prepared. AHADS stated that the original physical and financial targets proposed for the project needed to be modified due to the changed perspectives, taking into account need-based site specific requirements for the project. The physical targets were re-worked and the Final Implementation Programme (FIP) for the period 2006-07 to 2009-10 was approved (2006).

2.1.13.2 Implementation of eco-restoration programme

The project envisaged sustainable development of Attappady by planning and implementing an eco-restoration programme in degraded forest areas through a variety of measures to arrest denudation of land and further deforestation; conserve water resources and consequently, stabilize the environment leading to economic development and employment generation for people below the poverty line, with focus on Scheduled Tribes, particularly women. The physical targets and achievements of the Final Implementation Programme of the project under the component eco-restoration were as detailed in **Appendix 2.3.** Audit scrutiny revealed the following:

- Out of 25 physical targets given for eco-restoration of degraded forest areas, the achievement in respect of 17 targets was over 90 *per cent*.
- The major shortfall in achievement was noticed in the structural conservation of forest land and water resource development. It was only 72 *per cent* in both the cases.
- A study on the impact of the project interventions for the period from 2001 to 2005 was conducted by the Kerala Agricultural University (KAU). The report showed that there had been a net positive impact of 11.8 *per cent* on

forest regeneration and 13.81 *per cent* on the private and degraded lands. No further study had been conducted by KAU on this project. Final evaluation and impact of eco-restoration achieved in implementation of the project was also not conducted by any agency.

2.1.13.3 Socio-economic development programmes

Only 863 houses under hamlet based development scheme were completed against the target of 2012 houses

Socio-economic development programmes were incorporated as an objective of the project in 2002, mainly focusing on housing, sanitation, health, education and cultural improvement to the tribal population.

(i) Hamlet development

The details of targets and achievements of construction of houses taken up under the scheme during the project period were as given in **Table 2.22**:

Table 2.22: Details of construction of Houses

Scheme	Target (Nos)	Achievement (Nos)	Shortfall (*per cent*)
Hamlet based development -Houses:			
Phase I (up to 2008-09)	997	863	13
Phase II (2009-10)	1015	0	100

It was stated by AHADS (March 2011) that the shortfalls in achievement were due to lack of skills among the tribal people in civil engineering works, difficulty in accessing various interior hamlets during the rainy season, non-availability of building materials and skilled labour. The expenditure on the incomplete houses amounted to ₹ 28.73 crore.

Completed houses –Model –Chemmanur Hamlet (Phase - I)

(ii) Other Infrastructure

The new assets created by AHADS during the project period were either lying idle or not handed over to the departments concerned which are given in **Table 2.23**:

Table 2.23: Details of assets remaining unutilised

(₹in lakh)

Name of asset	Cost	Date of completion	Reply by AHADS
Building for Lower Primary School, Karara	5.00	28 February 2011	The building was completed, but not handed over to the department (April 2011).
Govt. Upper Primary School, Thazhemully	30.85	20 March 2011	The building was completed, but not handed over to the department (April 2011).
Staff quarters at Thazhemully	10.50	31 March 2011	The building was completed, but not handed over to the department (April 2011).
Community Health Centre, Agali	40.03	17 July 2010	The building was completed and handed over to the Block Panchayat, but was found lying unutilised during the field visit.
Tribal Hostel for Girls, Kottathara	32.34	---	Only civil works were completed (February 2011).
Staff Hostel, Government Tribal High school, Sholayur	9.12	----	Work was completed but not handed over (December 2010)

Building for Government Upper Primary School, Thazhemully

General Services

2.1.14 e-District

The Government of India had approved (March 2007) the National e-Governance Plan (Ne-GP) in pursuance of its policy of introducing e-Governance on a massive scale. The Ne-GP vision aimed at making all Government services accessible to the common man in his locality, through common service delivery outlets ensuring efficiency, transparency and reliability of such services at affordable cost. To realise the above vision, 27 Central, State and Integrated Mission Mode Projects (MMPs) along with eight support components were identified under Ne-GP, to enable and facilitate rapid introduction of e-Governance in the country, with the focus on service delivery. e-District is one of the 27 MMPs under Ne-GP to target certain high volume services delivered at the district level to enable the delivery of these services through common service centres in a sustainable manner within a specific time frame.

In Kerala, Palakkad was one of the two districts selected (March 2008) for implementation of the project at an estimated cost of ₹ 3.05 crore. Forty six services as detailed in **Appendix 2.4,** pertaining to six departments were to be provided under the project. The Kerala State Information Technology Mission (KSITM) was appointed as the implementing agency. GOI released ₹ 3.05 crore for the programme in March 2008.

2.1.14.1 Status of Implementation

Though internet connectivity was provided by the KSITM at a cost of ₹ 43 lakh, connectivity was not established in 59 village offices

KSITM procured hardware and other accessories and distributed to all the village offices, taluk offices, Revenue Divisional Office and the District Collectorate. Internet connectivity (through BSNL) was also provided in all the above offices by the KSITM.

Audit revealed the following:

- Out of 46 services under the project, only 23 services relating to the Revenue Department were made online. The remaining 23 services relating to other departments were not yet made operational. The 23 Revenue Department services were not online in 59 village offices. It was operational only in 97 out of 156 village offices.
- Though internet connectivity was provided at a cost of ₹ 43 lakh in 153 village offices, the connectivity was not established in 59 village offices and hence the hardware procured and installed was not fully put to use in these village offices.

The e-District programme through e-services had not been fully achieved even after three years. The partial implementation of the e-District programme resulted in non-achievement of the objective of making all Government services accessible to the common man in his locality, through common service delivery outlets ensuring efficiency, transparency and reliability of such services at affordable cost. Besides, the common man was denied the facility for familiarisation/awareness of computers and the speedy access of various services envisaged in the programme.

2.1.15 e-Literacy (Akshaya)

Only ₹ 47 lakh out of ₹ 4.50 crore was utilised for implementing the scheme and only 15 *per cent* of the households were benefited

As a part of providing Information Communication and Training (ICT) access to all sections of the society, the Government accorded (March 2007) sanction for implementation of the Akshaya project. The project aimed at generation of economic growth, creation of employment, providing training centres for IT literacy campaign and establishment of IT dissemination nodes and service delivery points to the common man. Under the project, at least one person in every family was to be given functional IT literacy training.

An amount of ₹ 4.50 crore was received during 2006-10 for implementing the project through Akshaya centres. Out of the above, only ₹ 47 lakh was utilised and only 15 *per cent* of the households were benefited through these centres.

The District Officer of Akshaya, Palakkad stated (March 2011) that computer literacy was mandatory everywhere including schools and most of the households became e-literate through other sources. This indicated that the project was conceived without a proper pilot study or requirement analysis, resulting in blocking of funds to the tune of ₹ 4.03 crore as of March 2011.

2.1.16 Conclusion

The Government of India has increasingly been entrusting responsibility at the district/local level, especially at the level of the Panchayat Raj Institutions, to ensure efficiency and effectiveness in delivery of key services like health, education, drinking water etc. Audit scrutiny revealed that an Integrated District Development Plan for the district and Local Development Plans for each Local Self Government Institution were not prepared though the State Government had issued directions as early as in February 2007. Hence, there was no assurance that gaps in various developmental schemes/programmes had been identified. There was no system in place at the district level to have a consolidated picture of the year-wise funds received and utilised under various schemes implemented in the District. Adequate manpower and infrastructure as per the Indian Public Health Standards were not provided. Medical instruments supplied were not properly utilised. Despite the intervention of the Sarva Shiksha Abhiyan, the strength of students in Government/aided schools decreased and the strength of students in unaided schools recorded an increase. Inordinate delays were noticed in the completion of houses taken up by the Scheduled Castes and Scheduled Tribes Development Department under housing schemes for SCs and STs.

2.1.17 Recommendations

The Government should

- Prepare an Integrated District Development Plan for effective implementation of the schemes and Local Development Plan in consonance with the Integrated District Development Plan for effective implementation of the schemes;
- Evolve a mechanism for scheme-wise accounting of receipts and expenditure of funds;
- Provide adequate manpower and infrastructure facilities for proper implementation of NRHM schemes;
- Restrict the purchase of equipment to the actual requirement and their optimum utilisation should be monitored.

PUBLIC WORKS DEPARTMENT

2.2 Kerala State Transport Project

2.2.1 Introduction

The Kerala State Transport Project (KSTP), aided by the International Bank for Reconstruction and Development (IBRD)[7], was launched in June 2002 by the Government for improving the infrastructure in the State road sector. The project included transport corridor upgradation of 671.90 km (578.9 km of roads and 93 km inland waterways), maintenance of 1,009 km of roads, implementation of road safety measures and institutional strengthening of Public Works and Irrigation Departments at a cost of ₹ 1,255.68 crore, ₹ 247.20 crore, ₹ 20.16 crore and ₹ 45.60 crore respectively. Out of 578.9 km of road upgradation works, it was decided to take up 254.70 km of roads in Phase-I and 324.20 km of roads in Phase-II of the project.

Phase-I of the project consisted of upgradation works of roads (254.70 km), road maintenance component of 1009 km (37 packages) and upgradation of inland water transport canals (93 km). Upgradation work of roads was again divided into three packages (KSTP-1: 127.1 km, KSTP-3: 49.2 km and KSTP-4: 78.4 km). It was also decided to take up road maintenance components of 1,009 km in three years. The first year included 13 packages (RMC-1 to 13 – 339.1 km), the second year included 13 packages (RMC-14 to 26 – 350 km) and third year included 11 packages (RMC-27 to 37 – 320 km).

Phase-II of the project was designed for the upgradation of roads of 324.20 km and was divided into three packages (KSTP-5: 102.9 km, KSTP-6: 90 km and KSTP-7: 131.3 km).

Due to time and cost over-runs, the project was restructured (June 2008) by reducing the length of upgradation to 254 km and by enhancing the length of maintenance of roads from 1,009 km to about 1,200 km. There was no revision in the loan amount. The project period was 2002-2007, which was extended upto 31 December 2010. The major components of the restructured project were substantially completed and the loan was closed on 31 December 2010.

The total estimated cost of the project was US$ 336 million (₹ 1,612 crore @ ₹ 48 per US$), of which the IBRD share was US$ 255 million (76 *per cent*), equivalent to ₹ 1,224 crore. The remaining funds of ₹ 388 crore (24 *per cent*) were to be provided by the Government of Kerala.

2.2.2 Organisational set-up

A Steering Committee was constituted (October 2001) consisting of the Principal Secretary, Public Works Department; the Secretary, Finance Department; the Secretary, Irrigation Department and the Chief Engineer (CE), Roads & Bridges. The Government formed (April 2002) a separate Project Management Team (PMT) headed by the Project Director (PD), an Engineering wing headed by the Chief Engineer (Projects) and a Finance wing headed by the Finance Controller, for implementing the project. The

[7] An arm of World Bank

upgradation works were supervised by Construction Supervision Consultants (Engineers), who reported to the PMT through the CE (Projects).

Audit Findings

The deficiencies noticed in audit in the implementation of the project are discussed in the following paragraphs.

2.2.3 Planning of the project

Lack of planning in acquisition of land resulted in time and cost over-runs

The main deficiency of planning of the project was the inordinate delay in the land acquisition process. Land required for widening of the roads was not acquired and handed over to the contractors in time, and hence the works were delayed. The land acquisition procedure was initiated only after inviting bids, as Government decided (October 2000) to initiate the land acquisition process after obtaining the sanction of the IBRD loan. This ultimately contributed to delay in implementing the project and resultant cost over-runs.

2.2.4 Financial Management

2.2.4.1 Receipts and expenditure -Arrangement for financing the project

The Government of India (GOI), the State Government and IBRD signed a loan and project agreement in May 2002. As per the agreement, GOI was to open a special account with the Reserve Bank of India to receive project disbursements from IBRD and then make these funds available to the Government under the standard Additional Central Assistance mechanism on a 70 *per cent* loan and 30 *per cent* grant basis. All project funds were to be budgeted in the Government's budget as an identifiable single budget item each year. The estimated cost of the project was US$ 336 million and it was to be shared between IBRD (US$ 255 million equivalent to ₹ 1,224 crore) and the Government (US$ 81 million equivalent to ₹ 388 crore) in the ratio 76:24. The project period was from June 2002 to December 2007. The US$ exchange rate also varied from ₹ 48 in 2002 to ₹ 39 in 2007 and from ₹ 39 in 2007 to ₹ 45.55 in 2010. The variation in the exchange rate of US$ resulted in reduction of the expected loan amount in Indian rupees from ₹ 1,224 crore to ₹ 1,036.96 crore and the State's share increased from ₹ 388 crore to ₹ 593.66 crore. The details of receipts and expenditure during 2002-03 to 2011-12 (up to 31 July 2011) were as detailed in **Table 2.24**:

Table 2.24: Details of receipts and expenditure up to 2011-12

(₹ in crore)

Year	Receipts				Expenditure
	IBRD+GOI	GOK	Other sources[8]	Total	
Upto 2005-06	467.31	237.35	7.77	712.43	703.07
2006-07	145.28	56.70	1.22	203.20	158.41
2007-08	36.45	115.84	1.87	154.16	84.55
2008-09	43.65	14.32	4.14	62.11	132.06
2009-10	101.77	176.56	2.87	281.20	279.69
2010-11*	181.14	54.25	1.01	236.40	196.10
2011-12*	61.36	(-)61.36	2.50	2.50	55.72
Total	**1,036.96**	**593.66**	**21.38**	**1,652.00**	**1,609.60**

**provisional figure*
Source: Certified annual accounts and details collected from KSTP

[8] Sale of tender forms, bank interest, liquidated damages, restoration charges, tree cutting charges and other receipts

Audit scrutiny revealed the following:

- The actual cost sharing ratio between IBRD and the Government of Kerala were worked out as 63.59 *per cent* (₹ 1,036.96 crore) and 36.41 *per cent* (₹ 593.66 crore) against the envisaged 76 *per cent* (₹ 1,224 crore) by IBRD and 24 *per cent* (₹ 388 crore) by the Government of Kerala, due to fluctuation in the exchange rate of the US dollar and increase in the cost of acquisition of land.
- The PMT failed to get the expenditure of US$ 22 million (₹ 105.60 crore) reimbursed from IBRD due to delayed execution of works. The failure had resulted in increase of the State Government's share and a loss of ₹ 29.04 crore as assistance from GOI.

2.2.5 Contract management

2.2.5.1 Indecision of KSTP resulted in hardships to the public and extra expenditure of ₹60.75 crore

Delay in taking timely decisions by KSTP resulted in extra expenditure of ₹ 60.75 crore on rearrangement of work

The work of KSTP I was awarded (November 2002) to a contractor at an estimated cost of ₹ 215.50 crore with the stipulated date of completion as 15 December 2005. A scrutiny of the work records revealed the following:

Owing to delay in handing over the site, delay in obtaining clearance from the Pollution Control Board for erecting bitumen mixing plant, etc. the work was prolonged and the contractor sought extension upto 31 May 2007. The contract was extended till February 2007.

As per the contract conditions, the monthly interim payments of upgradation works, had to be made to the contractors within 28 days of submission of interim payment certificates (IPC) to KSTP. KSTP followed this procedure till April 2006 and thereafter, discontinued payments without any recorded reasons, which resulted in the termination of the contract by the contractor in December 2006. At the time of termination, works amounting to ₹ 106 crore remained to be completed.

The work was re-tendered and the rates quoted by the bidders were very high compared to the previous contractor. Hence KSTP was forced to enter (December 2007) into a supplemental agreement with the previous contractor at an enhanced rate of 72.50 *per cent* on all items (except general items) in the Bill of Quantities. The extra expenditure incurred on this account worked out to ₹ 60.75 crore (₹ 55.96[9] crore difference between the cost of work as per original contract and on revised arrangement plus ₹ 4.79 crore for the temporary maintenance of the roads to make them traffic-worthy). The contractor also reserved the right to refer the claim to arbitration for prolongation cost and losses (of the contractor) upto 4 December 2006, subject to a maximum of ₹ 35 crore. Final decision of the arbitration was awaited (September 2011).

[9] Original contract value ₹ 215.50 crore – Amount excluded from the original contract ₹ 5.53 crore = ₹ 209.97 crore + cost escalation on completion of original contract ₹ 26.37 crore = ₹ 236.34 crore;
Final contract price on completion – Contract price worked out by audit = ₹ 292.30 crore - ₹ 236.34 crore = ₹ 55.96 crore

Delay in making timely payments and not taking timely decisions on extension of contract delayed the benefits of the road to the public for one and half years and caused extra expenditure of ₹ 60.75 crore and a contingent liability of ₹ 35 crore.

The PD stated (October 2011) that the extra expenditure worked out by Audit was not correct. He stated that if the work was continued without termination and completed in January 2011, the payment to the contractor would have been ₹ 273.32 crore and hence, the excess payment would work out only ₹ 18.98 crore (₹ 292.30 crore - ₹ 273.32 crore). He also stated that the loss of ₹ 4.79 crore on maintenance could not be considered as loss because the maintenance would be necessary had the previous contract been continued.

The reply is not acceptable because of the following reasons.

(i) The due date for completion of the work could not be taken as January 2011 as the date was extended primarily due to the mismanagement of the project team and termination of the contract in December 2006 by the contractor as the bills were not paid by PMT as per the agreement. The work was suspended from December 2006 to November 2007 for which there was no justification.

(ii) Even if the calculation of excess payment by the PD is taken as correct, there was a loss of ₹ 18.98 crore which could not be taken to be a small amount. Moreover, the delay of one year in completion (December 2006 to November 2007) was directly attributed to the termination of contract for which the project team was responsible.

2.2.5.2 Excise Duty Exemption on a State financed work

The work 'Heavy maintenance of Vizhinjam-Kovalam-Cheruvarakonam-Kaliyikavila road (RMC 63)' was tendered on 21 July 2010 for an estimated cost of ₹ 27.27 crore with the period of completion as nine months. The work was awarded in October 2010 and had not been completed (October 2011). The work was taken up by KSTP on the presumption that it would be executed with the IBRD loan and the same was mentioned in the Notice Inviting Tender. However, IBRD rejected (July 2010) the proposal, primarily due to the reason that the work would not be completed before the closure of the loan. The work was funded from the State fund. Excise duty exemption to the tune of ₹ 98.33 lakh[10] was given to the contractor for the above work as the provision for exemption was included in the tender documents. This exemption, which was available only for IBRD funded works, should have been excluded from the tender conditions, by means of an addendum or during the pre-bid meeting held in August 2010. The exemption of excise duty on a State financed work was a violation of the exemption conditions stipulated Notification No.108/95 – CE dated 28 August 1995.

The matter was referred to the Government (September 2011); reply has not been received (October 2011).

[10] (2,343MT Bitumen & NRMB@ ₹ 27,000/MT *plus* 170MT Bitumen emulsion @29,020/MT) *multiplied by* 14 *per cent* Central Excise Duty and three *per cent* Education Cess.

2.2.5.3 Unjustified reckoning of price indices of plant and machinery in calculation of escalation

Price escalation was given for contractor's own equipment amounting to ₹ 12.56 crore

In the case of KSTPs III and IV, a provision was included in the agreement for price adjustment for increase or decrease in the cost of plant and machinery and spares procured by the contractor at 30 *per cent* as per the agreed formula. In terms of the General Conditions of Contract, plant included apparatus, machinery and other equipment intended to form part of permanent works. As KSTP III and IV were road projects, plant and machinery did not form a part of the permanent work as defined in the General Conditions of Contract. By including a provision for price escalation towards plant and machinery (which did not form part of the permanent work), KSTP bestowed undue benefits of ₹12.56 crore to the contractors.

The PD replied (August 2011) that the observation of audit that the plant and machinery was not forming part of the permanent work and the adjustment in this regard was an undue benefit to the contractor was not correct. It was also stated that the National Highways Authority of India and Ministry of Road Transport & Highways (MORTH) had followed the same procedure.

The reply of the PD is not acceptable as plant and machinery was not a direct input to any permanent work and it would be the property of the contractors after the termination of the contracts. Moreover, the terms and conditions of contract had clearly defined the plant and machinery. The price escalation allowed by KSTP for plant and machinery was against the definition given in the contract.

2.2.6 Project Implementation and Programme Management

2.2.6.1 Targets and achievements

The physical targets and achievements of the three major components of the project were as follows and details of the sub-components are described in **Appendix 2.5**.

Table 2.25: Physical targets and achievements of three major components

Component	Original target (OT)	Revised target (RT)	Achievement	Percentage of achievement with respect to RT
Corridor upgrading	671.90 km	331 km	254 km	76.73
Road maintenance	1,009 km	1,200 km	1,156 km	96.33
Road safety engineering programme	50 black spots	30 black spots	37 black spots	123.33

Source: Project Appraisal Document and Implementation Completion Report

In addition to the above physical target, the project also envisaged reduction in roughness of the road to a level of less than 4.5m/km, reduction of travel time by 20 *per cent* and reduction in road accidents. Achievement of reduction in roughness index[11] was commendable as the roughness index obtained was less than 4.5 m/km.

[11] International roughness index is used to define a characteristic of the longitudinal profile of a travelled wheel track and constitute a standardized roughness measurement. The commonly recommended units are meters per kilometer (m/km) or millimeters per meter (mm/m)

Audit scrutiny revealed the following:

- In the case of corridor upgradation works, the original target was reduced by more than 50 *per cent* when the project was restructured. The revised target was also not achieved due to non-implementation of 77 km of inland water transport canals. The KSTP-I & IV packages were also not fully completed as the side drain works were incomplete in some stretches.
- The revised target fixed for the completion of work on black spots[12] was 30 and KSTP showed that 37 had been completed. The claim of KSTP was not correct. It was seen that KSTP completed the works on only 25 black spots and the figure of 37 was arrived at by showing more than one work done at the same spot and reckoned as a different black spot.
- As per the State Crime Records Bureau's data, the number of accidents in all the State roads reduced from 42,363 to 35,046 during the years 2005-10, whereas the fatality rate of accidents was on the higher side. No separate study was conducted to assess the accident and fatality rates on KSTP roads.

2.2.6.2 Time and Cost over-runs

The upgradation packages and Road Maintenance Component (RMC) works under Phase-I of the project were to be completed by December 2005 and December 2006 respectively. Phase-I of the project included upgradation packages, road maintenance component, road safety works and institutional strengthening action plan. Delay in land acquisition, frequent transfer of PDs, inadequate supervision by engineers etc. resulted in non-completion of Phase-I of the project in time.

It was seen that the physical target of upgradation of roads was reduced from 578.9 km to 254 km, showing a reduction of 56.12 *per cent*, whereas the percentage of reduction of expenditure was 40.86 (expenditure decreased from ₹ 1,214.88 crore to ₹ 718.51 crore[13]). As a result, the cost per kilometre for the upgraded roads in Phase-I increased from ₹ 2.09 crore to ₹ 2.82 crore, showing an increase of 35 *per cent*.

The physical targets fixed for the road maintenance component were revised from 1,009 km to 1200 km and 1156 km of the work had been completed. An amount of ₹ 612.04 crore was spent against the original allocation of ₹ 279.36 crore. The actual completion of RMC work was increased by 14.57 *per cent* but the percentage of enhancement in cost was 92.27. In respect of other components in Phase-I an amount of ₹ 100.83 crore was spent against the allocation of ₹ 122.50 crore. The total expenditure for the project was ₹ 1,612.67 crore including the cost of land acquired for Phase-II (₹ 181.29 crore).

The allocation and expenditure of the project were as detailed in **Appendix 2.6**.

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[12] Accident prone areas in roads

[13] ₹ 715.09 crore for Phase-1 including land acquisition charges and ₹ 3.42 crore as balance work of KSTP IV executed through the work of RMC 48

The PD replied (October 2011) that if surrender of loan of US$ 22 million (₹ 105.60 crore) and inclusion of about 200 km of additional heavy maintenance of roads as a substitute to Phase-II road improvement and resurfacing works was considered, the excess of expenditure over allocation would work out to 19 *per cent.*

The reply is not acceptable as the surrender of ₹ 105.60 crore would only reduce the allocation and not the expenditure. Besides, additional heavy maintenance of 200 km could not be a substitute for upgradation works of 324.20 km intended during Phase-II of the project.

2.2.6.3 Land acquisition

Land acquisition was essential under road upgradation packages for widening upto 15 m, relaying the pavements, side drain works, cross drainage works and reconstructing/widening of existing bridges and culverts.

The quantum of funds earmarked for land acquisition (LA) and rehabilitation of project-affected persons for Phases-I and II of the project and expenditure incurred thereon were as detailed in **Table 2.26**:

Table 2.26: Target, achievement and expenditure of land acquisition

Particulars	Area of land (Ha)		Land acquisition, Rehabilitation & Resettlement (R&R)	
	Assessed	Acquired	Allotment	Expenditure
			(₹ in crore)	
Phase-I	42.23	65.78	67.44	108.20
Phase-II	72.03	110.22	114.96	181.29
Total	**114.26**	**176.00**	**182.40**	**289.49**

Source: Details collected from PMT

The following deficiencies were noticed during audit scrutiny:

- There was excess expenditure of ₹ 107.09 crore for land acquisition and R&R compared to allotment and actual expenditure. The reasons for the excess expenditure were as under:
- The extent and cost of the land acquired went up by more than 50 *per cent* of the original projection.
- Government decision to acquire land only after getting approval from IBRD delayed the land acquisition process for Phase-I. The acquisition was started only in 2002 and continued till 2008.
- The land acquisition function was centralized and entrusted (April 2002) to a separate wing at KSTP headquarters, headed by the Director of Land Acquisition for Road Projects to speed up land acquisition activities. The office was abolished in June 2005 as centralization did not speed up the land acquisition activities.
- The estimation of the Project Co-ordination Consultant[14] with respect to the number of families affected by the project was incorrect as the actual

[14] A Project Co-ordination Consultant (PCC) was engaged to assist PWD in project preparation and management, introduce project design international standards and introduce PWD staff to internationally accepted project preparation practices. M/s Louis Berger International Inc., USA based firm was the PCC for KSTP

number of families affected was 30,811 against the estimated number of 20,455 families (8,313 families in Phase-I and 12,142 families in Phase-II).

- KSTP was not able to acquire land at certain points where upgradation works were to be taken up due to public obstruction, court cases etc., which resulted in non-construction of 12.9 km of side drains in KSTP I roads. The resultant adverse impact on the life and safety of the roads in these stretches could not be ruled out.

The PD admitted (October 2011) that land acquisition activities were started only after getting clearance for the project from the bank. He also stated that a Special Officer with field officers was also deputed for effective acquisition of land. But this was delayed due to non-availability of revenue staff. Entrusting the work to a private agency with experience also did not materialise due to objection from the revenue staff.

2.2.6.4 Provision in Bill of Quantities for contractors' obligations

(a) General items

The guidelines of the World Bank and the General Conditions of Contract (GCC) stipulated that contractors were responsible for providing the following items at their own cost:

- Security for the stipulated period in the form of bank guarantee or performance bond for the prescribed value to protect the employer's interest in case of non-performance of the contractor vide clause 10.1 of Conditions of Particular Application.
- Insuring the works, plants and machinery and third parties vide the preamble to the Bill of Quantity (BOQ) and clause 18.2 of GCC.
- Rectifying the works during the defect liability period vide clause 11.2 of GCC.

Unwarranted inclusion of the items in the BOQ without corresponding specifications in the contract, resulted in extra payment of ₹ 9.84 crore

On verification of the contract documents, it was noticed that the above items were included in the BOQ of the works of KSTP I, III and IV, contrary to the General Conditions of Contract, without mentioning the corresponding role of contractors in the agreement, which resulted in extra payment of ₹ 9.84 crore as detailed in **Appendix 2.7**.

In the exit meeting, the Secretary, Public Works Department agreed (October 2011) to the fact and stated that consistency would be taken care of in future contracts.

(b) Providing safety barricading, signals, etc. for construction zone

Payments were made for incidental items, which should have been the responsibility of the contractor

Contracts of the three upgradation works provided that the contractors should take all necessary measures for safety of traffic during construction and provide, erect and maintain barricades, including signs, markings, flags, lights and flagmen as may be required by the engineer for the information and protection of traffic approaching or passing the sections of the roads under improvement. Contrary to the above provisions, the Project Co-ordination Consultant provided separate BOQ items and ₹ 94.67 lakh was paid to contractors as shown in the **Table 2.27**.

Table 2.27: Details of incidental items included in BOQ and payment made

Work	Quantity as per BOQ (Linear metre)	Rate/ Linear metre	Amount (₹ in lakh)	Quantity of work done (Linear metre)	Payment made (₹ in lakh)	Length of road (in Km)
KSTP I	10,000	207	20.70	3,600	7.45	127.11
KSTP III	10,000	1460	146.00	5,700	83.22	49.20
KSTP IV	10,000	213	21.30	1,880	4.00	78.40
Total			**188.00**		**94.67**	**254.71**

Source: Agreements and Interim Payment Certificates

The quantities provided in the BOQ were the same in all the three works, though the length of the roads varied considerably. The rates (rate/Linear metre (lm)) of the contractors were also not comparable as the type of works were not specified in the contract.

In reply to an audit observation, the PD admitted (August 2011) that barricading and connected works were incidental items of work and would be the responsibility of the contractor. The PD also justified the inclusion of the items in the BOQ stating that the claim of the contractor could be limited to the quantity included in the BOQ.

The PD's reply, however, ignored the fact that the contractors would be paid for doing the work which they were required to do at their own expense.

2.2.6.5 Tender evaluation and award of works

(i) Injudicious evaluation and award of RMC works

Injudicious evaluation of tenders resulted in loss of ₹ 2.72 crore

In accordance with clause 4.5.A (a), (b) and (c) of the procurement guidelines of IBRD, the contractor should have minimum annual financial turnover, completed similar work satisfactorily and executed minimum quantities of work, respectively. It was also stipulated in clause 4.5 C *ibid* that to qualify for a package of contracts for which bids were invited in one Invitation For Bids (IFB), the bidder must meet the aggregate of qualifying criteria for the individual contracts. KSTP invited tenders for 17 RMC works through a single notification. On evaluation by the PMT, one contractor became the lowest (L1) in RMC 34 and 35. However, the said contractor did not have the qualification to be awarded both the works together and he was awarded RMC 34. The RMC 35 was awarded to the third lowest (L3) contractor, as the second lowest (L2) contractor was not qualified. Had the PMT awarded the work of RMC 35 to L1 and RMC 34 to L2, an amount of ₹ 2.72 crore could have been saved as detailed in the **Table 2.28**:

Table 2.28: Details of L1, L2 contractors in respect of RMC 34 & 35

(₹in crore)

RMC No.	Bid amount of L1 contractor	Bid amount of L2 contractor	Bid amount of L3 contractor	Work awarded to and amount (1)		Correct allocation as per audit (2)		Excess amount (1)-(2)
				Contractor	Amount	Contractor	Amount	
RMC 35	14.59	16.88	17.84	L3	17.84	L1	14.59	3.25
RMC 34	15.46	15.99	17.84	L1	15.46	L2	15.99	(-)0.53
				Total	**33.30**		**30.58**	**2.72**

Source: Tender Evaluation Report

The PD replied (October 2011) that L1 was not qualified for RMC 35 as per Clause 4.5.A (b) and if the works were awarded as pointed out in audit, IBRD might have refused the reimbursement.

The reply is not acceptable as the L1 was disqualified only on combined evaluation but individually qualified for both the works (RMC 34 & 35). The PMT did not explore the possibility as suggested by audit in the above table at the time of evaluation of tender. If it was done, the payment of ₹ 2.72 crore could have been avoided.

2.2.6.6 Execution of works

(i) Non-co-ordination between various agencies

Unfruitful expenditure due to non- co-ordination of various agencies

The work 'RMC 47 – Additional heavy maintenance work of Ettumanoor-Ernakulam road' was awarded on 12 December 2008. During the course of execution of the work, the Kerala Water Authority (KWA) executed (October 2009) a Memorandum of Understanding (MoU) with KSTP to restore the road after re-laying a pipeline from Thalayolaparambu to Vaikom (Ch.19/500 to 26/284). As per the conditions of the MoU, KWA had to complete the re-laying work by November 2009. However, the work was completed only on 15 April 2010 with a delay of four and a half months due to the delay in commencement of pipe laying works by KWA. In the MoU, KWA agreed to restore the road as per the IRC and MORTH specifications. However, after the execution of the work by KWA, undulation on the surface of the road, breakage of old BT edge and surface and sinking of new surface were noticed. KHRI conducted field tests in the presence of KWA, which revealed that lack of compaction of the subgrade was the reason for the damage. Due to the poor execution of work by KWA and consequent poor condition of the road, the bituminous pavement including Water Bound Macadam had to be dismantled upto the required depth.

The Executive Engineer/ KSTP/Ponkunnam Division worked out ₹ 8.24 crore and ₹ 1.36 crore as the amounts recoverable from KWA for rate escalation and the cost of new item of works and towards loss of working days respectively. The total amount to be recovered from KWA was ₹ 9.60 crore.

Audit observed that public money spent on road restoration by KWA was wasted due to lack of supervision by PWD. The work should have been executed either directly by KSTP with the deposit amount from KWA or placed under the supervision of PWD.

The PD replied (October 2011) that the observations of audit would be considered by KSTP in future projects.

2.2.6.7 Non-achieving the objectives of IWT pilot project

The objectives of the IWT pilot project were not fulfilled despite spending ₹ 17.06 crore

The Inland Water Transport (IWT) pilot project aimed at upgradation of three feeder canals to the National Waterways III viz. Alappuzha-Kottayam, Kottayam-Vaikom and Alappuzha-Changanassery extending over a length of 93 km, for rehabilitation and improvement of the existing water transport system. It was aimed that part of the bulk cargo and passengers using road and rail would be diverted to waterways, which was most economical.

The activities involved in the component were clearing canals, side protection, dredging, construction of new jetties and repairs of existing jetties, construction of landings and terminals, construction of new bridges and foot-bridges, providing navigational aids and Environmental and Social Assessment Management Plan activities[15].

The original contract for the implementation of the project was awarded (August 2003) to M/s. Bhageeratha Engineering Ltd for an amount of ₹ 60.90 crore, with the period of completion of 24 months (September 2005). M/s.RITES was the Engineer for the work. As the contractor was able to achieve physical progress of only 12.43 *per cent* by July 2005, the Engineer recommended termination of the work due to non-performance, failure to comply with notices of the Engineer, non-compliance with their obligations under the contract and poor financial status of the contractor. Besides, defective design of the Project Co-ordination Consultant also contributed to the failure. KSTP terminated the contract on 14 November 2005 and an amount of ₹ 12.27 crore was paid to the contractor. At the time of termination of the contract, the contractor had completed only 5.59 *per cent* of dredging work of 1,56,000m^3 and 2.65 *per cent* of the total length of 92,550 linear metre sheet piles to be provided for shore protection.

Later, the work was rearranged (December 2007). The rearranged work was for the construction of approach roads, foot bridges and re-modelling of some jetties. The contract amount for the balance work was ₹ 6.54 crore and the expenditure incurred was ₹ 4.79 crore. Hence the objectives of the IWT project were not fulfilled despite spending ₹ 17.06 crore.

The PD admitted (October 2011) that the objectives of the IWT project were not fully met due to the failure of the contractor's performance and other factors.

2.2.6.8 Implementation of Institutional Strengthening Action Plan component

The objectives of ISAP could not be achieved even after spending ₹ 59.53 crore

In order to formulate a strategy to develop the PWD's technical and financial capacity to effectively manage the State's core road network and to be responsive to road users' demands, the PWD decided to restructure its internal organization; develop human resource capacity; introduce modernized financial management practices; develop a road maintenance management information system; revise outdated codes and manuals; improve contracting and procurement procedures; introduce environmental and social impact monitoring and strengthen road safety engineering capacities by implementing an Institutional Strengthening Action Plan (ISAP). The ISAP consists of seven components with 41 elements. For the implementation of these elements, 68 actions were provided in the plan.

The seven components of ISAP were regulatory and strategic context, organization and management, road finance and maintenance, project management and financial management, public private partnerships, road

[15] Environmental and Social Assessment Management Plan has been devised to minimize construction and operations related impacts through tree plantation, oxbow land development, training on environmental enhancement, air quality monitoring, noise level monitoring, water quality monitoring and public consultation

safety and IWT development. A review of the components, ie. (i) effective statutory powers and framework for comprehensive road management (ii) IT capabilities enhancement and utilization and (iii) strengthen routine maintenance management were conducted and the following deficiencies were noticed:

(i) Revision of PWD code and manual

Actions such as land acquisition and resettlement procedures, cost estimating procedures, development and implementation of Environmental and Social Management functions and contract administration procedures were to be implemented by revision of PWD codes and manuals.

It was observed that the revision of codes and manuals were completed but it had not yet approved by the Government. Hence, the same has not yet been implemented by PWD.

The above fact was confirmed by the PD.

(ii) Road Maintenance Management System (RMMS)

RMMS was intended to enable the PWD in selecting roads for maintenance by giving utmost priority for most urgent roads. For the purpose, inventory details of pavement, junctions, horizontal curves, vertical alignment, bridge and culverts and data on condition of roads such as pavement condition, condition of shoulder, drainage and foot path, surface roughness, traffic volume, etc. were needed to be collected and fed directly into the system through the web.

It was observed that RMMS was not operational as the data could not be exported for analysis at the required level. Further, the data collection for RMMS was a continuous process and systems were not in place to ensure this.

The PD stated that RMMS is being under updation and data collection is also in progress.

(iii) Geographical Information System (GIS) based Road Information and Management System

GIS based Road Information and Management System was intended to prepare a base map for the whole State integrating all types of data like road networks and all other relevant data relating to roads to provide IT capabilities by integrating with RMMS using web enabled data.

It was observed that GIS and RMMS were not integrated and web enabled to receive data directly from the divisions and the sub-divisions.

The PD stated that RMMS was under updation, after which the RMMS would be integrated to GIS.

Thus, even after spending ₹ 59.53 crore on the installation of ISAP including the above elements, PMT did not fully achieve the objectives of modernization of PWD including maintaining and updating data on road networks.

The PD replied that (October 2011), necessary provisions to top-up the activities on ISAP initiatives would be made in KSTP-II.

2.2.7 Conclusion

The main deficiency of the project was the inordinate delay in the land acquisition process. The actual cost sharing ratio between IBRD and the Government of Kerala was worked out at 63.59 *per cent* and 36.41 *per cent* as against the envisaged 76 *per cent* by IBRD and 24 *per cent* by the Government of Kerala. In the case of corridor upgradation works, the original target was reduced by more than 50 *per cent* when the project was restructured. In the case of RMC works, 1,156 km was completed against the original target of 1,009 km. The objective of upgradation of IWT canals was not achieved even after spending ₹ 17.06 crore. Institutional strengthening was not fully achieved. The World Bank rated the Implementation Performance and Development Objective of the project as moderately satisfactory.

2.2.8 Recommendations

- Land survey for acquisition may be conducted in a co-ordinated manner with the Revenue staff. All the pre-construction activities including land acquisition and utility shifting may be completed before awarding of the work.
- The design of works should be made in accordance with the provisions of the Indian Standard Code and Indian Road Congress currently in use, so as to suit the Indian conditions.
- A mechanism for co-ordinating road works of PWD, KSEB, BSNL, KWA and other agencies should be evolved.
- All out efforts should be made to implement various components of the institutional strengthening Action Plan.

FINANCE DEPARTMENT

2.3 Special Development Fund for Members of Legislative Assembly

2.3.1 Introduction

The 'Special Development Fund for Members of Legislative Assembly' (MLA SDF) was notified in October 2001 to enable Members of the Legislative Assembly (MLA) to create durable assets for public use at large. The implementation of the scheme in the State was governed by guidelines initially issued in October 2001 and revised from time to time, the last time being May 2004. The guidelines of the scheme prescribe the works that can be taken up and the works that are not permissible under the scheme. The annual allotment under the scheme to each MLA was ₹ 75 lakh per annum. The scheme is fully funded by the State Government and the funds released under the scheme are non- lapsable.

The audit of the implementation of the scheme during 2006-07 to 2010-11 in 16[16] (out of 48) Legislative Assembly Constituencies (LACs) of four districts (out of 14) was conducted by Audit during May- June 2011. The records relating to four District Collectorates and 20 implementing offices[17] were also test-checked. Audit also conducted physical verification of 30 works in 16 LACs. Funds released by the Government to these four districts during 2006-07 to 2010-11 were ₹ 182.54 crore and the total funds available including the opening balance were ₹ 232.18 crore. The expenditure incurred during the above period was ₹ 164.67 crore. The year-wise percentage of utilisation of available funds was as indicated in **Table 2.29**:

Table 2.29: Details of utilisation of funds

(₹in crore)

Year	Opening balance	Funds Received	Total funds available	Funds expended	Closing balance	Percentage of utilization of available funds
2006-07	49.64	36.03	85.67	24.57	61.10	29
2007-08	61.10	36.67	97.77	27.12	70.65	28
2008-09	70.65	36.80	107.45	31.68	75.77	29
2009-10	75.77	36.03	111.80	42.00	69.80	38
2010-11	69.80	37.01	106.81	39.30	67.51	37
Total		**182.54**		**164.67**		

Source: Details taken from extracts of Treasury Savings Bank deposit accounts of four District Collectorates, Thiruvananthapuram, Kollam, Kottayam and Malappuram.

Implementation of the scheme

As per the guidelines, each MLA was to give a choice of works to the District Collector (DC) concerned who was to get them implemented by following the established procedure. In regard to works in urban areas, they could be implemented through Commissioners/Chief Executive Officers of

[16] Malappuram District: Ponnani, Mankada, Kondotty, Kuttipuram; Kottayam District: Kottayam, Vazhoor, Changanassery, Kaduthuruthi; Kollam District: Kollam, Chathannur, Kottarakkara, Karunagappally; Thiruvananthapuram District: Thiruvananthapuram North, Kazhakkuttom, Kilimanoor and Nedumangad.

[17] 16 Block Development Offices of four selected districts, Executive Engineer of Local Self Government Department, Pattom, Thiruvananthapuram, Chest Diseases Hospital, Pulayanarkotta, Thiruvananthapuram, District Jail, Kollam and District Hospital, Kollam.

Corporations, Muncipalities, etc, or through the heads of districts as per the option of the MLAs. The deficiencies noticed by Audit in the implementation of the scheme are described below:

2.3.2 Poor utilisation of funds

During 2006-11 utilisation of funds was in the range of 28 to 38 *per cent* of the available funds

The funds released were kept in non-lapsing treasury savings deposit accounts of DCs. As at the close of the year 2010-11, the balances remaining unspent in four districts totalled ₹ 67.51 crore. The expenditure during each year did not keep pace with the accretion of funds as was evident from the fact that the utilisation of funds during 2006-07 to 2010-11 was in the range of 28 - 38 *per cent*. Cancellation of 58 works by MLAs and delays in execution of works by the implementing agencies were the main reasons for the poor utilization of funds. The DCs attributed cancellation of works to non-feasibility of works, reluctance of beneficiary committees to take up work, same works taken up by other agencies as part of other schemes etc.

Out of ₹ 164.67 crore spent during 2006-11, Audit observed that ₹ 22.97 crore incurred on 1,007 works was objectionable because 972 works involving ₹ 21.61 crore were not permissible under MLASDF guidelines and 35 works involving ₹ 1.36 crore were executed by societies/ trusts without entering into any agreement with Government as envisaged in the guidelines, which stated that funds should be released to societies/trusts only after executing agreement with the Government.

2.3.3 Delays in issuing administrative sanctions

In 21 *per cent* of works, delays in issuing administrative sanction were above six months

As already stated, the guidelines required each MLA to give his choice of works to the concerned DC. The DC, after getting estimates from the implementing agencies/executing departments, was to issue administrative sanctions within 45 days (within 30 days from November 2009) from the dates of receipt of the proposals from MLAs. In the four test-checked districts, sanctions for 699 works (21 *per cent*), out of 3,381 works, were accorded by DCs after delays of more than six months after receipt of the proposals from the MLAs, the details of which are given in **Appendix 2.8**. The DC, Kollam cited (August 2011) the delays in preparation and submission of estimates and receipt of proposals from MLAs which were either not feasible or beyond their fund limit, as reasons for the delays. However, it was assured that action was being taken to ensure timely issue of administrative sanctions. The DC, Thiruvananthapuram stated **(**September 2011**)** that the delays in receipt of approved estimates and incomplete documents were the main reasons for the delays in according administrative sanctions. The Assistant Development Commissioner (General) Kottayam stated (September 2011) that the delays in issuing administrative sanctions were due to the delays in getting clarification reports, required documents not being furnished by the beneficiary organisations and delays in getting plans and adequate estimate reports for the works. The DC, Malappuram stated (June 2011) that the delays were due to delayed receipt of estimates from the implementing officials.

2.3.4 Lack of proper planning/feasibility study before sanctioning works

The Government issued (November 2009) instructions that the DCs should ensure availability of land, realistic estimates and necessary infrastructure before according sanctions for works under MLA SDF. A scrutiny of sanctions of works revealed that administrative sanctions for works were issued without any planning and feasibility study and without ensuring the formation of beneficiary committees or competence of the beneficiary committees already formed, for taking up the works. This resulted in cancellation/non-completion of the works in Thiruvananthapuram, Kollam and Kottayam (no cancellation was noticed in Malappuram) districts as shown below:-

- Out of the 3,381 works sanctioned in 16 LACs, during 2006-11, 58 works were cancelled in Thiruvananthapuram (10), Kollam (32) and Kottayam (16) districts, details of which are enumerated in **Table 2.30**.

Table 2.30: District-wise details of works cancelled

Sl. No.	Name of District	Type of work	Number of works	Reasons
1.	Thiruvanantha-puram	a) Repairs and maintenance of roads b) Construction of school building c) Construction of drain **Total**	7 2 1 **10**	Two works were not feasible and three were to be executed by Grama Panchayats concerned. No reasons were on record for the remaining five works.
2.	Kollam	a) Repairs to roads b) Construction of buildings for libraries, schools, hospitals, etc. c) Others (purchase of computers for schools etc.) **Total**	9 11 12 **32**	The DC, Kollam cited (September 2011) the following reasons for cancellation of works: (i) even though certain works were tendered, no one was willing to take up the works (ii) in the case of certain works, beneficiary committees were not ready to execute the works despite several notices issued (iii) certain works were seen executed by other agencies using funds other than MLA fund, even after the issue of administrative sanctions for the same works.
3.	Kottayam	a) Repairs to roads b) Construction of building to Kairali Grandhalayam c) Electrification work **Total**	14 1 1 **16**	The Assistant Development Commissioner, Kottayam stated that due to delay in execution of works and other technical reasons, MLA had instructed that these works should be cancelled and the amount should be sanctioned for some other works. Accordingly, the works were cancelled and the amount had been sanctioned for other works.
		Grand Total	**58**	

Though no expenditure was incurred on these works, considerable time and resource had to be wasted for these works. Preparation of a database of schemes as suggested by the MLAs followed by assessment of their feasibility would have addressed this problem.

- The MLA of Ponnani LAC proposed (November 2008) the work of construction of a building for the Government Industrial Training Institute, Marancherry of Malappuram District (estimated cost: ₹ 25 lakh). The administrative sanction was accorded in March 2010. The work was not started as the beneficiary association was unwilling to take up the work at the earlier Schedule of Rates (SOR). The MLA proposed additional funds of ₹ five lakh (July 2010) and two revised administrative sanctions were issued (January 2011) for ₹ 25 lakh and ₹ five lakh based on the prevailing SOR. The DC, Malappuram stated that the work was nearing completion (October 2011).

- In Mankada LAC of Malappuram District, three works costing ₹ 1.20 lakh and in Kaduthuruthy LAC of Kottayam District, the work of construction of a side drain at Sreekrishna Swami Kshethram road in ward No.18 of Kaduthuruthy Panchayat costing ₹ 50,000 had not been taken up so far, even though the administrative sanction and technical sanction for the same were accorded during 2008-09. This was due to non-cooperation on the part of beneficiary associations which were reluctant to take up the works. The DC Malappuram stated (September 2011) that action would be taken to cancel the works. In reply to an audit enquiry, the DC Kottayam stated (September 2011) that the MLA had recommended cancellation of the work.

2.3.5 Sanction for prohibited works

Expenditure on 972 prohibited works amounted to ₹ 21.61 crore

The guidelines prohibited execution of certain works such as construction of office, residential and other buildings relating to Central or State Governments, departments, agencies or organizations; works belonging to private institutions; repairs and maintenance of any type, etc., as detailed in **Appendix 2.9**. Further, the Government clarified (August 2005) that works for surface renewal/retarring of roads were not permissible under MLA SDF. However, it was noticed that in four selected districts, expenditure of ₹ 21.61 crore was incurred during 2007-11 on 972 works proposed by MLAs which were prohibited as per the scheme guidelines as detailed in the **Table 2.31** below:

Table 2.31: Details of prohibited works

Type of prohibited works undertaken by DCs on the recommendation of MLAs	Details of the execution of prohibited works		
	Number of LACs involved	Number of works	Cost of works as of March 2011 (₹ in lakh)
Construction works belonging to co-operative societies	3	5	11.64
Construction works for commercial organizations like State Transport Corporation and renovation of public market	6	7	147.31
Construction works for a police station for distribution of drinking water to the police station	1	1	0.80
Construction works for proposed fire station	1	1	3.00
Repairs and maintenance of road	16	958	1997.83
Total	**27**	**972**	**2160.58**[18]

[18] Kollam: ₹ 601.96 lakh, Kottayam: ₹ 613.17 lakh, Malappuram: ₹ 589.08 lakh and Thiruvananthapuram: ₹ 356.37 lakh

This indicates the lack of a proper feedback mechanism regarding eligibility when works are suggested by MLAs. The DCs (Thiruvananthapuram, Kottayam and Malappuram) stated (August 2011) that these works were sanctioned as they were beneficial to the general public. The reply is not acceptable because instead of sanctioning such prohibited works, the DCs should have advised the MLAs about the violation of guidelines and sought alternative proposals which could also be in public interest. The Assistant Development Commissioner (General) Kollam stated (August 2011) that prohibited works would not be sanctioned in future.

2.3.6 Sanction of works in violation of guidelines

Sanctions were issued for 29 prohibited works costing ₹ 3.92 crore in violation of guidelines

A scrutiny of Government orders issued during 2008-09 to 2010-11 under the scheme revealed that sanctions for 29 prohibited works worth ₹ 3.92 crore were issued in violation of guidelines vide **Appendix 2.10**. Information received from six DCs indicates that a sum of ₹ 1.50 crore was incurred by them on 16 works sanctioned in violation of the guidelines. The sanctions were accorded by treating them as relaxation of guidelines.

The large number of relaxations accorded indicated lack of sanctity for the guidelines with regard to eligible works.

2.3.7 Execution of works for Society/Trust

The guidelines, *inter alia*, provide that the beneficiary organisation must enter into a formal agreement with the Government in advance to comply with the conditions laid down before funds are released. The beneficiary organisation is required to submit to the Government, an annual report and its audited accounts on a regular basis.

In four selected districts, 35 buildings for library, youth club, etc. were constructed at a cost of ₹ 1.36 crore by various societies/organization during 2006-11. In addition, 31 buildings for library, milk societies, cultural association, etc. were also under construction at a cost of ₹ 1.18 crore during the same period. But no prior agreements were seen entered into with these organizations/societies by the implementing agencies/DCs nor the annual accounts of these institutions forwarded to the Government as contemplated in the guidelines. There is no assurance that the guidelines laid down had been followed.

2.3.8 Delay in execution of works

As already mentioned in para 2.3.3, a time limit of 45 days (reduced to 30 days from November 2009) was prescribed for issue of administrative sanctions from the date of proposal of the works received from the MLAs. In November 2009, the Government prescribed the following time limits for completion of projects taken up under MLA SDF scheme from the date of issue of administrative sanction:

i) Six months for works with outlay up to ₹ 25 lakh

ii) Nine months for works with outlay up to ₹ 50 lakh

iii) Twelve months for works with outlay up to ₹ 75 lakh

However, it was seen in audit that in certain cases, no clause specifying the period of completion was incorporated in the agreements entered into with the beneficiary committees. Delays were noticed in arranging works and in commencing work after execution of agreements in the following cases:

- Due to delays in preparation of estimates and delays in convening meetings of the beneficiary committee, there were undue delays in the various stages of work of construction of a building for Desasevani Vayanasala, Palluthottam in Nagaroor Grama Panchayat of Kilimanoor LAC of Thiruvananthapuram district. The proposal from the MLA was received by the DC on 17 November 2006. The DC issued an administrative sanction for ₹ 3.12 lakh on 22 January 2007 (after 66 days). The technical sanction was issued only on 26 March 2007 (after 62 days of the issue of the administrative sanction). The agreement with the convenor of the beneficiary committee was executed on 18 May 2007, after 53 days of issue of the technical sanction. However, the agreement did not contain any clause specifying the period of completion. Even though the administrative sanction had been issued in January 2007, the work was started only in December 2009 and completed only in November 2010. In reply to an audit enquiry, the DC Thiruvananthapuram stated (September 2011) that the delays were attributable to delayed receipt of original estimates and the estimate report from the BDO, Kilimanoor.

- The work of construction of a bathing ghat for Appanchira Thodu in Kaduthuruthy Grama Panchayat of Kottayam district (estimated cost ₹ 2.5 lakh) had not been started even though the sanction for the same were accorded in October 2009 and agreement executed in January 2010 because the convenor of the beneficiary committee was not willing to do the work for reasons not on record. This indicates non-assessment of the competence of the beneficiary committee to execute the work. The Assistant Development Commissioner (General) Kottayam stated that the MLA had directed to cancel the work.

- Administrative sanction was accorded in January 2009 for ₹ 3.50 lakh for the work of construction of a building for Kairali Grandhalayam, Chirakkadavu in Vazhoor LAC of Kottayam district. It was subsequently revised to ₹ 6.32 lakh in December 2009. The work was not completed as of June 2011. No reasons were attributed for the delay. The agreement executed with the beneficiary association in May 2010, did not contain any clause prescribing time limit for completion of the work.

- The work of construction of an Out Patient-cum-Casualty Block in the Government Hospital in Nedumangad LAC of Thiruvananthapuram District was sanctioned for ₹ 25 lakh in January 2006 and was entrusted to the convenor of the beneficiary committee in March 2006. The work was started in September 2006. After finishing a small portion (earth work excavation and columns up to plinth level) for ₹ 2.65 lakh, the work was abandoned for which no reasons were on record. The balance work was entrusted to a new convenor of the beneficiary committee in May 2010 at the revised estimate of ₹ 37 lakh, sanctioned in November 2009. The work had not been completed (June 2011). The agreement executed with the second convenor in May 2010, also did not contain a clause prescribing a time limit for completion of the work. This indicates inadequate contract clauses and inappropriate selection of beneficiary committees for execution of works.

- The work of beautification of Pipeline Road - Harithaveedhi in Thiruvananthapuram North LAC for ₹ 30 lakh was entrusted (July 2010) to the Habitat Technology Group Thiruvananthapuram, a non-Government organisation (NGO), as the State Government approved it as an implementing agency under the scheme in December 2009. The NGO had agreed to complete the work within six months from the date of taking charge of the site. Based on Government orders, 20 *per cent* of the cost of the work (₹ six lakh) was given as advance to the NGO. An amount of ₹ 23.41 lakh was paid as part payment (March 2011). However, the work remained incomplete as of October 2011.

2.3.9 Non-utilisation of equipment purchased under the scheme

Oxygen plant procured in 2009-10 was not being used

In the Chest Diseases Hospital, Pulayanarkotta, equipment such as Central Oxygen Manifold System, vacuum pump, pipes, outlet points and other accessories for installation of Central Oxygen Medical Gases were procured in October 2009 and in January 2010 at a cost of ₹ 5.75 lakh using MLA funds of Thiruvananthapuram (North) LAC for the year 2007-08. The oxygen plant was intended for utilisation in ward numbers 4 to 7 of the hospital. Renovation work of these wards was taken up during 2008 using NRHM funds but it could not be completed as of June 2011 due to shortage of funds. In the meantime, the oxygen plant was erected (April 2011) in a secluded area of the hospital and was not being used as envisaged due to non-completion of the renovation work. The Superintendent, Chest Diseases Hospital, Pulayanarkotta stated (June 2011) that action was being taken to hand over the work to PWD.

2.3.10 Monitoring

According to the scheme guidelines, the Finance (NC) Department is the nodal department for the implementation of schemes under MLA SDF in the State. The Chief Secretary or in his absence, a senior Principal Secretary/Additional Chief Secretary was to conduct a meeting with the heads of districts and MLAs to assess the progress of works under the scheme at least once in a year. Details of meetings conducted was sought (June 2011) for from the Finance (NC) Department, but these were not given to Audit. Non-furnishing of the required details by the department indicates that there was deficiency in monitoring as envisaged in the guidelines.

Para 5.7 of the scheme guidelines provided for the State Government to make arrangements for training district officials associated with the implementation of the scheme. Audit noticed that no arrangements were made for training during the period 2006-07 to 2010-11, the reasons for which were not on record.

As per para 5.1 of the guidelines, the DCs were to visit and inspect at least 10 *per cent* of the works every year and to furnish monitoring reports once in two months to the MLAs. In November 2009, the Government issued instructions that all DCs should furnish a quarterly report to each MLA on the progress of works taken up on his recommendations. The DCs of the selected districts were requested to furnish the details of inspections conducted. The DC Thiruvananthapuram replied (July 2011) that monitoring as envisaged in the guidelines was not being done. Further, the DCs of Kollam, Malappuram and Thiruvananthapuram stated (July 2011) that the audit observation had been noted for future compliance.

2.3.11 Conclusion

There were delays of more than six months in according administrative sanctions by the District Collectors after receipt of proposals from the MLAs concerned in 21 *per cent* of the cases. There were also delays in execution of works indicating inadequate assessment of the competency of beneficiary committees to execute the works under the scheme. Audit noticed execution of works prohibited under the guidelines. A large number of relaxations accorded for taking up works prohibited under the guidelines was indicative of lack of sanctity for the guidelines. Works were seen entrusted to societies/trusts with no formal agreements with them. Monitoring at the district level was not done as envisaged in the guidelines.

2.3.12 Recommendations

- Timely issue of administrative sanctions by the DCs for execution of works may be ensured.
- DCs may assess the competency of beneficiary committees before awarding the works to avoid delay in execution of works.
- DCs may avoid sanctioning of works which are not envisaged in the guidelines.

The above observations were referred to the Government in July 2011. Their reply had not been received (October 2011).

CONSUMER AFFAIRS DEPARTMENT

2.4 Compliance of Standards of Weights and Measures Acts and Rules by the Legal Metrology Department

2.4.1 Introduction

The Standards of Weights and Measures Act, 1976 provides for the establishment of standards of weights and measures and the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 regulate the sale of commodities in a packaged form. The Standards of Weights and Measures (Enforcement) Act, 1985 provides for the enforcement of the provisions of the Act in the country. These Acts and the Rules stipulate consumer protection in respect of weights and measures used in trade and commerce. The Legal Metrology Department in the State is the authority to implement the above enactments so as to protect the consumers from exploitation and unfair trade practices.

The main activities of the department are initial and periodical verification of weights and measures and weighing and measuring instruments[19]; issue of licences; maintenance of working and secondary standards; inspection and surprise visits of trade premises; control on packaged commodities, etc. These are carried out through a Controller who heads the department; three Deputy Controllers in three Regions[20]; 14 Assistant Controllers (district level); 11 Assistant Controllers {Flying Squad (FS)}; one Assistant Controller (Central Laboratory) and one Assistant Controller (Net Content Verification).

Test check of the records of the Controller, three Deputy Controllers[21], four Assistant Controllers[22] (district level) out of 14, four Assistant Controllers[23] (FS) out of 11, Assistant Controller (Net Content Verification) and Assistant Controller (Central Laboratory) for the period 2006-07 to 2010-11 revealed the following:

2.4.2 Delay in upgradation of enforcement mechanism

Major share of the Central assistance of ₹ 33 lakh released in September 2006 and May 2007 remained unutilised for more than four years

Government of India released ₹ 33 lakh (₹ 30 lakh in September 2006 and ₹ three lakh in May 2007) under the scheme 'Strengthening of Legal Metrology Wing of the States' for purchase of Class-I working standard balances. The Government issued the administrative sanction in February 2007 and the department invited tenders for the purchase of Electronic balances of various capacities (200 gm, two kg, 20 kg and 50 kg) for the upgradation of enforcement mechanism. However, the expert committee recommended purchase of 19 Electronic balances of capacity 200 gm from the lowest tenderer and rejected the purchase of 50 kg, 20 kg and two kg balances due to their poor quality. This necessitated re-tendering for these items which

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[19] Measuring instruments include automatic weighing instruments, volumetric weighing instruments, linear measuring instruments, flow meter, water meter, clinical thermometer, etc.

[20] South region, Centre region and North region

[21] At Ernakulam, Kozhikode and Thiruvananthapuram

[22] Assistant Controllers at Kannur, Kozhikode, Thrissur and Thiruvananthapuram;

[23] Assistant Controllers (Flying Squad), Kannur, Kozhikode, Thrissur and Thiruvananthapuram

delayed the procurement of the balances. Hence, the procurement of balances was made only during 2008-11 (₹ 32.79 lakh). The delayed procurement resulted in delay in upgradation of the enforcement mechanism for more than four years.

2.4.3 Inadequate verification of auto-rickshaw fare meters

Meters of only 4.84 to 29.8 *per cent* of auto-rickshaws for which fitness certificates had been issued during 2007-10 were verified and stamped

At present there is no provision in the Acts or Rules relating to weights and measures to insist fare meter in passenger auto-rickshaws and taxi cabs. The enforcement of the provisions of the weights and measures Acts and Rules arises only after fixing of fare meters in the vehicles. According to item 12 of Schedule XII of the Kerala Standards of Weights and Measures (Enforcement) Rules 1992, as amended during March 2006, a fee of ₹ 100 per meter was leviable for re-verification of auto-rickshaw/taxi meters. Test check of records[24] for the period 2007 to 2010 revealed that the number of auto-rickshaw meters subjected to verification and stamping by the Legal Metrology Department ranged from 4.84 to 29.8 *per cent* (**Appendix 2.11**) of the total number of 6,56,127 auto-rickshaws for which fitness certificates had been issued by the Motor Vehicles Department during 2007-10. The department was stamping only the auto-rickshaws brought voluntarily for verification. The Controller admitted (June 2011) that there was no provision in the Acts or Rules relating to weights and measures to insist upon fare meter in an auto-rickshaw or a taxi and stated that amendment of the Motor Vehicles Act alone would solve the problem. Thus, the objective of protecting the interest of the consumers was not fully achieved. Moreover, the Government continued to incur revenue loss due to non-collection of fees towards verification/re-verification.

2.4.4 Inspections

Inspection of weights and measures to verify whether such instruments are in conformity with the standards prescribed under the Standards of Weights and Measures Act, 1985 is one of the important functions of the department in protecting the interests of the consumers. According to Rule 15(7)[25], an inspector should visit as frequently as possible during the period specified in Rule 14(1)[25], every premise within the limits of his jurisdiction to inspect and test any weight or measure. Audit scrutiny revealed the following deficiencies:

2.4.4.1 General deficiencies

The department fixed financial targets for the district offices every year. The percentage of inspections conducted in the State ranged from 17.26 to 27.33 *per cent* of total weights and measures re-verified during 2006-07 to 2010-11 (**Appendix 2.12**). The inspectors detected violations of Weights and Measures Rules and Packaged Commodities Rules ranging from 11.69 to 30.83 *per cent* in the inspections conducted (**Appendix 2.13**).

[24] Kozhikode, Thrissur, Thiruvananthapuram
[25] Kerala Standards of Weights and Measures (Enforcement) Rules, 1992

Inspection by Assistant Controllers (FS) was only 0.63 to 2.35 *per cent* of the total units re-verified during 2006-11

The main function of the Assistant Controller (FS) is to conduct surprise inspections of business premises in the district to detect malpractices, if any, in connection with weights and measures instruments and packaged commodities rules. Audit observed that the Assistant Controller (FS) inspected only 0.63 to 2.35 *per cent* of the total number of units re-verified[26] in the selected districts during 2006-07 to 2010-11 (**Appendix 2.14)**. The Assistant Controller (FS), Kozhikode attributed (June 2011) the shortfall in inspections to the departmental vehicles being in dilapidated condition and lack of clerical staff. The Assistant Controller (FS), Kannur stated (June 2011) that out of the two vehicles in the office, one was ordered to be condemned and the other vehicle was required for several other official purposes. Hence, the vehicle was not available for conducting surprise inspections by the Flying Squad, Kannur.

As there were no separate Assistant Controllers (FS) in the districts of Kasaragode and Wayanad, the charge of these districts was assigned to the Assistant Controllers (FS) Kannur and Kozhikode respectively. This indicated that the department failed to protect the interests of the consumers as envisaged in the Act by not having an adequate enforcement mechanism in place.

2.4.4.2 Deficiencies in inspection of petrol pumps and Net Content Verification in packages

The Controller directed (February 2000) the Assistant Controllers (FS) to conduct inspection of at least 20 petrol pumps in a month. The Controller also issued (July 2007) directions for conducting verifications of the net content in packing establishments and factories as described below:

- The Assistant Controller (Net Content Verification), Ernakulam was to conduct net content verifications of at least five units in a month in each of the three zones of the State.
- The Assistant Controllers (FS) were to conduct net content verifications of at least five establishments in a month under their jurisdiction.

The following deficiencies were noticed in the compliance of the above instructions.

There were shortfalls ranging from 52.78 to 72.78 *per cent* during 2008-11 in the inspections by the Assistant Controller (Net content verification) Ernakulam

- The Assistant Controller (Net Content Verification), Ernakulam was to conduct 180[27] inspections in the State annually. However, audit scrutiny revealed shortfalls ranging from 52.78 to 72.78 *per cent* during the period 2008-09 to 2010-11 (**Appendix 2.15**). The Assistant Controller (Net Content Verification) stated (June 2011) that additional duty as liaison officer at the Advocate General Office/High Court of Kerala resulted in the shortfall in inspections.

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[26] Re-verification and stamping is done at the prescribed intervals subsequently. Original verification and stamping is done at the time of purchase of weights and measures

[27] 5 units x 3 zones x 12 months

Inspections by the Assistant Controller revealed violations of Packaged Commodities Rules ranging between 60 and 88.5 *per cent*

- The records of three Assistant Controllers[28] (FS) revealed shortfalls in the number of inspections of establishments in their respective jurisdictions. Audit noticed that no inspection was conducted in Kozhikode and Kannur during 2008-09 to 2010-11 as against the required number of 60 inspections in a year. In Thrissur, five inspections were conducted in 2008-09, but no inspection was conducted in 2009-10 and 2010-11. The Assistant Controller (FS), Kozhikode replied (June 2011) that the office was not equipped to conduct such verification due to provision of only skeleton staff, absence of laboratory and the allotted vehicle being old. The Assistant Controller (FS), Kannur replied (June 2011) that they had not been supplied with working standards.

  The Assistant Controller (FS), Thrissur replied (June 2011) that high precision working standard balances had not been provided to them by the department. It was observed that there was a high percentage (ranging from 60 to 88.5 *per cent*) of violations of Packaged Commodities Rules detected in the inspections by the Assistant Controller (Net Content Verification). This pointed towards the need for inspecting more establishments to protect the consumers from exploitation.

The inspections of petrol pumps by the Assistant Controllers (FS) were less than half of the prescribed number of 240 inspections in a year

- The inspections conducted by the Assistant Controllers[29] (FS) in the petrol pumps during 2006-07 to 2010-11 were less than half of the prescribed number of 240 inspections in a year in all cases except in Kannur for 2006-07. In Kozhikode, no inspection was conducted during 2006-07 to 2008-09, whereas in 2009-10 and 2010-11 the percentage of verification was 12 and 26 respectively. During 2006-07 to 2010-11 the percentage of inspections in Thrissur and Kannur ranged between 12.91 and 40.41; 8.75 and 58.75 respectively (**Appendix 2.16**). The Assistant Controller (FS), Kozhikode gave (June 2011) the poor condition of vehicles as the reason for not achieving the prescribed number of inspections. The Assistant Controller (FS), Thrissur replied (June 2011) that the existing manpower was used to concentrate in those areas where collection of compounding fees was high so as to increase the revenue to the State exchequer.

  The Assistant Controller (FS), Kannur replied (June 2011) that it was not practical to conduct 20 inspections in a month due to large scale expansion of petrol pumps after the year 2000. The number of nozzles in each pump had increased considerably increasing the working load. Hence the limit of 20 inspections in a month fixed during 2000 was impossible to achieve.

2.4.5 Gold testing laboratory

The gold purity testing laboratory set up (2004) at Central Laboratory, Ernakulam with the assistance of the Centre for Earth Sciences Studies (CESS) Thiruvananthapuram was taken over by the Legal Metrology

[28] Kannur, Kozhikode, Thrissur
[29] Kannur, Kozhikode,Thrissur

Department in August 2006. The cost of capital equipment procured at the time of setting up the laboratory was ₹ 18.10 lakh. There were two types of methods - destructive (fire assay) and non-destructive (X-ray Fluorescent spectrometer) - adopted for testing purity of gold. The X-Ray Fluorescent Machine installed in August 2003 at a cost of ₹ 11.34 lakh was not working since January 2008 as the high voltage transformer of the equipment became defective. Hence, with the defective machinery, the laboratory could not check the purity of gold using non-destructive method, which had immense demand among the public. The department thus, failed to discharge its obligation with regard to ensuring the purity of gold.

GOI sanctioned (July 2010) financial assistance of ₹ 25.44 lakh from the Consumer Welfare Fund for upgrading the Gold Purity Testing Laboratory into a Referral Assay Laboratory for Gold. For upgradation and getting recognition by the Bureau of Indian Standards (BIS) for testing and marking the purity of gold, the Assistant Controller, Central Laboratory, Ernakulam requested (December 2010) the Controller to sanction posts of technical personnel such as Assaying Centre Manager, Quality Manager, Assay Master, Operator for XRF machine, Sampler, Receptionist and Security which had not been provided till June 2011. Hence, the department could not apply for recognition. The department thus failed to protect the interests of the consumers with regard to the purity of gold.

2.4.6 Pending cases in prosecution

No system existed to watch the prompt receipt of copies of judgements from the field offices

In the wake of setbacks faced by the department in a number of cases, in various courts, citing delay in filing cases, the Controller issued (April 2005) a circular authorising the inspecting offices to file cases directly in the courts. The circular directed the field offices to forward copies of judgement of all cases to the office of the Controller for watching the follow-up action. It also contained the procedures to be followed by the Deputy Controllers and Assistant Controllers to monitor the cases handled by the officers under their control on a quarterly basis.

Even though the Controller directed (April 2005) all the field offices to forward copies of all judgments, this was not done by the field offices. There was also no system to watch the prompt receipt of the same by the Controller. The Controller also did not maintain a centralised database of the court cases filed by various officers of the department. In the following cases, judgments were against the department due to departmental lapses:

Table 2.32: Judgements against the department for departmental lapses

Sl No.	Case No.	Date of judgment	Reason for judgment against the department
1	CC1063/03 JFCM II, Aluva	20 July 2010	Lack of clinching evidence and inordinate delay in filing the case.
2	ST-474/08 JFCM II, Harippad	30 December 2010	Material evidence not produced in the court.
3	CC-631/02 JFCM II, Thrissur	31 May 2005	Shabby evidence tendered by the departmental officers
4	5671/03 JFCM Chittur	31 March 2006	Not observing the rules and procedures at the time of inspection.

Source: Records of the department

It is evident that there was lapse on the part of the departmental officers in filing the cases in time after observing the procedures prescribed in the relevant Acts and Rules. This enabled the offenders in winning the cases.

2.4.7 Internal control mechanism

The deficiencies noticed in the enforcement of internal control mechanism are discussed below:

2.4.7.1 Internal audit

There was no separate internal audit wing in the department

The functions of the internal audit wing include examining, evaluating and maintaining the adequacy of the accounting and internal control systems. It also helps in assessing the organisation's systems and procedures in order to prevent fraud, errors, etc. There is no separate wing for internal audit in the department. Internal audit was conducted by deputing the available staff in Head Office. Test check showed that out of 130 offices which are to be audited every year, shortfalls in internal audit ranged from 61 to 74 offices from 2007-08 onwards (June 2011).

2.4.7.2 Annual Administrative Report

As per Government instructions (February 1984), an Annual Administrative Report showing the annual activities of the department is to be prepared and submitted to the Government every year. The format of the report was revised in December 2008. It was, however, noticed that the department had not prepared any Administrative Report since 2008-09. In the absence of such reports, information about the activities/performance of the department during the year could not be made available to other departments/public.

2.4.7.3 Disciplinary cases pending settlement

It was observed that 32 disciplinary cases in connection with irregularities in stamping, issue of licences, compounding offences, etc. from 2002 onwards were pending against 30 departmental officers. Details are given in **Appendix 2.17**. Inordinate delay in finalising the proceedings diluted the deterrent effect of disciplinary action.

2.4.8 Conclusion

There were delays in utilisation of Central funds, inadequate verification of auto-rickshaw fare meters, deficiencies in inspection of petrol pumps and 'net content' in packages. The percentage of inspections conducted on the re-verified weights and measures was low during the period covered under audit. Inspections conducted revealed a large number of violations of the provisions of the Acts and Rules relating to weights and measures. This implied that the inspections conducted were inadequate to check the violations and the compliance of the Acts and Rules. There was lack of proper follow-up action in prosecution cases.

2.4.9 Recommendations

- The Government may evolve a mechanism for making it mandatory that all auto-rickshaw permits are issued/renewed annually on production of certificates of stamping from the Legal Metrology Department.

- Government should fix targets for inspection on a scientific basis to ensure prompt compliance of the Acts/Rules so as to protect the interest of consumers.

The matter was referred to the Government in July 2011. Their reply had not been received (October 2011).

CHAPTER III
AUDIT OF TRANSACTIONS

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

3.1 Non-compliance with the rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are as under:

HIGHER EDUCATION DEPARTMENT

3.1.1 Non-compliance with provisions of the Income Tax Act, 1961 by Sree Sankaracharya University of Sanskrit

Failure to comply with the provisions of the Income Tax Act, 1961 by the Sree Sankaracharya University of Sanskrit led to loss of interest amounting to ₹ 92.15 lakh accrued on its deposits.

According to Section 10 (23 C) (iii ab) of the Income Tax Act, 1961, the income of educational institutions, existing solely for educational purposes and not for purposes of profit and which are wholly or substantially financed by the Government, are exempted from income tax. Further, according to Section 197(1) of the Income Tax Act, when no deduction of income tax is to be made on the total income of an assessee, the concerned assessing officer shall, on application made by the assessee, give a certificate to that effect. The Act also provides that claim for refund of tax deducted at source shall not be allowed, unless it is made within a period of one year from the last day of such assessment year.

Deductions made towards the Provident Fund and Pension Fund of employees of Sree Sankaracharya University and also Development Funds of the university were kept in fixed deposits in Sub-Treasury, Ankamali, Ernakulam. Audit scrutiny (February 2011) of these deposits revealed that the Sub-Treasury deducted tax (from February 2006 onwards) on the interest accrued on these deposits. The amount deducted for the period upto 2009-10 (taxes deducted at source for the period from 2001-02 to 2009-10) was ₹ 1.05 crore. The university neither obtained a certificate from the assessing officer for exempting them from tax deduction nor claimed refund of the tax deducted at source till March 2011. It was evident from the provisions of the Income Tax Act that the University was not entitled to get refund of the tax deducted amounting to ₹ 92.15 lakh for the period 2001-02 to 2008-09.

The university stated (September 2011) that they had taken up the matter with the Income Tax authorities for refund of tax deducted. The reply is not acceptable as the existing provisions of the Income Tax Act do not permit refund after one year from the last date of the assessment year. Thus, the university authorities failed to obtain the required certificate from the Income Tax Department for claiming exemption from tax deduction, which led to a loss of ₹ 92.15 lakh, being the interest earned on their deposits.

The matter was referred to the Government in July 2011. Their reply had not been received (October 2011).

INFORMATION TECHNOLOGY/HEALTH AND FAMILY WELFARE DEPARTMENT

3.1.2 Short collection of cost of tender forms

Non-compliance with provisions of the Stores Purchase Manual resulted in short collection of the cost of tender forms amounting to ₹ 63.24 lakh in Infopark and the Malabar Cancer Centre.

Government orders (November 2004) stipulate that all autonomous bodies, including co-operative institutions and universities should follow the provisions of the Stores Purchase Manual (SPM) while tendering works/making purchases. According to the latest provisions in Paragraph 21 (a) of SPM (effective from December 2008), the cost of tender forms to be collected from bidders was as follows:-

Table 3.1: Details of cost of tender forms to be collected from bidders

Estimated cost of tender	Cost of tender forms
Up to ₹ 50,000	₹ 300+VAT
Above ₹ 50,000 up to ₹ 10 lakh	0.2% of the cost of tender rounded to the nearest multiple of 100, subject to a minimum of ₹ 400 and maximum of ₹ 1,500 + VAT
Above ₹ 10 lakh	0.15% of the cost of tender rounded to the nearest multiple of 100 subject to a maximum of ₹ 25,000 + VAT

Audit scrutiny of two State autonomous bodies viz., Infopark and Malabar Cancer Centre (MCC) revealed that these autonomous bodies were not following the provisions of the SPM regarding the cost of tender forms. Failure to collect the cost of tender forms as per the rate prescribed in the SPM resulted in short collection of receipts of ₹ 63.24 lakh[30] during the period from February 2009 to March 2011.

In response to Audit's remarks, the Chief Executive Officer of Infopark replied (June 2011) that the cost of tender forms to be collected was generally fixed by them at 0.05 *per cent* of the probable amount of the contract and the MCC replied (September 2010) that the error in short collection was not intentional. The replies cannot be accepted because it was the primary responsibility of all the State autonomous bodies to follow the provisions of the SPM as well as the orders issued by the Government from time to time, as these institutions were substantially financed by the State Government. The Government replied (October 2011) that Infopark had been directed to levy revised rates fixed for tender forms.

[30] Infopark : ₹ 52.81 lakh and MCC : ₹ 10.43 lakh

PUBLIC WORKS DEPARTMENT

3.1.3 Excess payment due to non-recovery of overhead charges and contractor's profit

Excess payment of ₹ 77.46 lakh was made to contractors due to non-recovery of overhead charges and contractor's profit on the cost of bitumen in seven works.

Government issued (September 2003) orders to dispense with the departmental supply of bitumen for works costing more than ₹ six lakh, which was modified (February 2004) to ₹ 15 lakh. For such works, the actual cost of bitumen was to be reimbursed to the contractors. As such, the elements of 10 *per cent* contractor's profit and 10 *per cent* overhead charges were not admissible while computing the rates of bituminous works.

Audit scrutiny revealed that the Executive Engineers of two Public Works Roads Divisions and two National Highway Divisions had wrongly included the elements of 10 *per cent* contractor's profit and 10 *per cent* overhead charges on the cost of bitumen in the estimated rates of seven bituminous works and omitted to recover the same at the time of payment to the contractors, leading to excess payment of ₹ 77.46 lakh as shown below:-

Table 3.2: Details of excess amount paid

Sl. No.	Name of Division	Name of work	Excess amount paid (₹ in lakh)
1.	Roads Division, Muvattupuzha	Improvements to Kothamangalam-Pothanicadu-Paingottur-Njarakkad Road 0/00 to 20/250	20.99[31]
2.	-do-	Improvements to Mannoor-Ponjassery Road	17.35[32]
3.	Roads Division, Thrissur	Improvement to Thrissur City Roads	8.69[31]
4.	NH Division, Muvattupuzha	IRQP NH 49-274/000 to 286/610	10.56[32]
5.	-do-	IRQP NH 220-136/700 to 146/975	12.09[32]
6.	NH Division, Kodungallur	IRQP-Palarivattom-Kakkanad-Kumarapuram Road	3.63[32]
7.	-do-	IRQP-Kalamassery-Pathalam-Eloor-Manjummal-Muttom Road and link road from Kalamassery (NH Junction) to Seaport Airport Road	4.15[32]
Total			**77.46**

Source: Departmental records

Thus the inclusion of the elements of overhead charges and contractor's profit in the estimate and the non-recovery of the same at the time of payment to the contractors resulted in irregular excess payment of ₹ 77.46 lakh.

The matter was referred to the Government in July 2011. Their reply had not been received (October 2011).

[31] Ten *per cent* overhead charges
[32] Ten *per cent* overhead charges and 10 *per cent* contractor's profit

3.2 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure, some of which are mentioned hereunder.

INDUSTRIES DEPARTMENT

3.2.1 Release of funds without taking possession of land for setting up a Common Effluent Treatment Plant

Release of ₹ 2.56 crore to a Special Purpose Vehicle for setting up a Common Effluent Treatment Plant even before taking possession of land for the purpose resulted in blocking of Government money outside the Government account for over two years and non-achievement of the objective of reducing pollution.

The Director of Industries and Commerce (Director) convened (June 2007) a meeting with the representatives of industries located in the Edayar Industrial Development Area for addressing the problem of pollution of the Periyar river. In the meeting, it was decided to set up a Common Effluent Treatment Plant (CETP). The Director had already identified (June 2007) two[33] plots of land and requested the Government to allot any of these plots for setting up the CETP in the industrial area. The representatives of the industries formed and incorporated (June 2008) a Special Purpose Vehicle (SPV) as a private limited company named "Edayar Effluent Treatment Plant Private Limited" (EETPPL). The Detailed Project Report (DPR) prepared (March 2008) by the consultants[34] stipulated requirement of 7,000 sq m[35] of land and the project cost was estimated at ₹ 2.56 crore. As per the DPR, funding of the project was to be done in the following manner:

Table 3.3: Details of funding of the project

Name of the party	Percentage of contribution	Amount (₹ in crore)
Central Government share	20	0.51
State Government share	20	0.51
Soft loan from SIDBI	40	1.02
Participating industries	20	0.52
Total	**100**	**2.56**

Source: Detailed Project Report

The Government accorded (February 2009) administrative sanction to set up the CETP at the estimated cost of ₹ 2.56 crore and released the entire project cost to the SPV in March 2009.

33 Five acres of land with Kerala State Electricity Board and 4.75 acres of land with Indian Rare Earths Limited, Aluva.
34 M/s Envirochem Laboratories Private Limited, Thrissur
35 Equivalent to 1.73 acres

The following audit observations are made with regard to execution of the project:

- As per the DPR, the share of contribution to the SPV from the Central and State Governments was ₹ 1.02 crore. The balance amount of ₹ 1.54 crore was to be contributed by the participating industries. As such, there was excess release of ₹ 1.54 crore by the Government. The State Government should have prescribed that the initial funding would be done by the participating industries and raising of the soft loan would be followed by Government funding. This would have ensured their commitment to the project. Without any contribution to the SPV from the beneficiaries, the full release of the Government share in advance was inappropriate.
- Smooth execution of the CETP was critically dependent on the availability of land. The department had identified the land for setting up the CETP in June 2007. At a belated stage (April 2011), a joint visit to the identified lands was made. Thereafter, the recommendation of the team was forwarded to the Government for a final decision in May 2011. There was no progress in the acquisition of land till date (October 2011). As a result, the amount of ₹ 2.56 crore remained blocked outside the Government account since its release in March 2009. Without taking advance possession of the required land, release of funds to the SPV was inappropriate.

The Director replied (June 2011) that the department had identified surplus land available with M/s Indian Rare Earths Limited and the Kerala State Electricity Board in 2007 itself. Expecting completion of formalities for the resumption of land by the department, the amount was drawn and released to the SPV in the year 2009 itself. Further, there were sufficient savings in the budget for this project in the financial year 2008-09 and hence, the funds were sanctioned. However, the construction of CETP was not started (June 2011) due to non-availability of land.

The reply is not acceptable as funds should have been released only after possession of land had been taken. The Director had issued orders (February 2009) releasing the amount to the SPV, which stipulated that an agreement with the SPV should be executed. This was not complied with. Further, the contribution to CETP should have been restricted to the Government's share of ₹ 1.02 crore, subject to prior contribution of their full share by the participating industries.

Thus, release of ₹ 2.56 crore to a Special Purpose Vehicle for setting up a CETP even before taking possession of land for the purpose resulted in blocking of Government money outside the Government account for over two years and non-achievement of the objective of reducing pollution.

The matter was referred to the Government in May 2011. Their reply had not been received (October 2011).

3.2.2 Undue favour to an Industrial Co-operative Society

Undue favour was extended to an Industrial Co-operative Society by granting financial assistance initially in the form of a loan and subsequently converting the loan as share capital participation, in gross violation of rules and instructions.

As per the provisions of the Kerala Financial Code (KFC), before considering a loan application, the sanctioning authority should obtain from the applicant *inter alia*, details of sources of income and of how the borrower proposed to repay the loan within the stipulated period. Details of security proposed to be offered for the loan together with valuation of security by an independent authority were also to be obtained. The Government issued (January 2007) a circular specifying the rate of interest and terms and conditions of loans to different institutions. According to the circular, interest at 14.5 *per cent* per annum was chargeable on loans advanced to co-operative societies. The circular also stipulated that the terms and conditions of the loans were to be fixed, loan sanctioning authorities were to closely monitor repayment of loans and recovery of interest and that repayment of the loans were to commence from the date of completion of one year from the date of drawal of the loans.

M/s Pinarayi Industrial Co-operative Society Limited submitted (December 2007) an application for financial assistance for ensuring uninterrupted functioning and diversification of its activities. The society sought (May 2008) ₹ 5.58 crore as grant from the Government. The Government issued (February 2009) an administrative sanction for releasing ₹ two crore[36] as loan for modernizing the society and the Director of Industries and Commerce released (March 2009) the amount to them for the purpose. Audit scrutiny revealed the following lapses in release of the loan to the society:

- The Government sanctioned the loan under the head of account "Loans to existing weaker co-operative institutions having growth potential". There was failure to assess the eligibility of the society before release of the amount. As per the assessment carried out (March 2010) by the General Manager, District Industries Centre, Kannur, the society could not be considered as weak society as it was making profit for the last seven years. Hence, release of the loan to the society was improper.
- The repayment of the loan did not commence from the date of completion of one year from the drawal of the loan. As of March 2011, Audit noticed that the repayment was still to begin.
- The repayment of any loan is critically dependent on the capacity of the borrower to repay the loan and the return on the investment made with the funds borrowed. The society had indicated (January 2009) to the Government that it would be difficult for them to repay the loan and the interest, if the financial assistance was given in the form of loan. This clearly indicated that the society did not have the capacity to repay the loan. As such, release of loan of ₹ two crore to the society was improper.

[36] Modernisation of Yard (₹35.08 lakh); Procurement of additional equipment (₹26.63 lakh), TAR plant (₹47.78 lakh), Land (₹50 lakh), Civil works (₹16.40 lakh) and Working capital (₹ 23.79 lakh)

Rules relating to the Government's share participation in the Industrial Co-operative Societies stipulated a maximum limit of ₹ 2.5 lakh[37]. When the lapses in the payment of the loan assistance to the Society were pointed out by Audit (March 2011), the Government converted (May 2011) the loan amount of ₹ two crore as share capital participation with effect from the date on which the amount was disbursed to the society. This action was again, violative of the rules governing financial assistance by way of Government share participation. Thus undue favour was extended to the society.

The matter was referred to the Government in May 2011. Their reply had not been received (October 2011).

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

3.2.3 Violation of rules, norms, etc., in releasing advertisements

An expenditure of ₹ 28.66 crore was incurred by the Information and Public Relations Department during 2010-11 on display advertisements, violating the canons of financial propriety, rules of empanelment and norms for release of advertisements.

A scrutiny of expenditure incurred by the Information and Public Relations Department for the release of advertisements to the media on behalf of various departments during 2008-09 to 2010-11 was undertaken in audit for assessing the expenditure from the propriety angle. Audit used the canons of financial propriety as a criterion, which required that public money should not be utilised for the benefit of a particular person or section of the community. The conclusion about compliance with this requirement could be arrived at only by looking at the contents of the advertisement. If the advertisement related to publication of tender notices, statutory notifications etc., then the expenditure on these would be in conformity with this requirement. If the advertisement was in the nature of extolling the achievements of the Government, it would basically be a direct or surrogate advertisement for the political party in power which would be violative of the canons of financial propriety. Adopting this methodology, Audit found that expenditure of ₹ 28.66 crore on advertisements during 2010-11 was objectionable. The following lapses were noticed:

3.2.3.1 Propriety requirement

- An amount of ₹ 4.94 crore[38] was incurred to highlight the fourth anniversary of the Government. Display advertisements were given (May 2010) in all editions of 64 dailies empanelled in the media list for 2009-10 and electronic media.
- Similarly, ₹ 9.43 crore was incurred in connection with publishing 151 display advertisements during January-March 2011, prior to the General Elections to the Assembly held in April 2011, relating to the achievements of the Government.

[37] ₹ 3.5 lakh for Women's Industrial Co-operative Societies

[38] Advertisements were released for 'Display Advertisements' but expenditure was met from another head 2220-60-106-99 - 'Field Publicity'.

- There was a massive jump in advertisement expenditure for 'Display Advertisements' during 2010-11, consequent on issue of advertisements mainly highlighting the achievements of the Government, from ₹ 5.80 crore in 2008-09 to ₹ 9.83 crore in 2009-10 and to ₹ 28.66[39] crore in 2010-11.
- According to provisions in the Kerala Budget Manual, advances from the Contingency Fund could be obtained only for meeting unforeseen expenditure or on a 'New Service.' It was seen that the initial budget provision for Display Advertisements in 2010-11 was ₹ 2.15 crore. In order to meet the additional expenditure, an advance of ₹ 12 crore was obtained from the Contingency Fund in March 2011. This did not meet the criteria for drawal under the Contingency Fund.
- The department sanctioned (February 2011) the printing of 3.5 lakh copies of the monthly newsletter 'Vikasana Samanuayam' to a private press and payment of ₹ 14.40 lakh was made in March 2011. Audit noticed that the department had not received and accounted for the newsletter in its Stock Registers as required in the Store Purchase Manual. The department admitted (June 2011) that copies of the printed newsletters had not been received in the office and stated that they were given to some private/political organisation. In the absence of receipt and issue of stock entries, Audit could not satisfy the genuineness of the printing cost of ₹ 14.40 lakh.

3.2.3.2 Empanelment of Newspapers

According to a Government order (July 1999), advertisements were to be released only to newspapers with a minimum circulation of 3,000 copies per edition having uninterrupted and regular publication for a period of 12 months. The following deficiencies were observed:

- The rate of advertisement charges payable to the dailies is applicable from 1 April of the calendar year to 31 March of the succeeding year. Transparency demanded that the eligibility criteria were also met from 1 April. During 2008-09 to 2010-11, media lists were prepared and published only in December and January of the relevant financial year. The delay in preparation of the list was used as a mechanism to favour the dailies which did not meet the requirement of the criterion as on 1 April.
- Advertisements worth ₹ 19.55[40] lakh were released in 2010-11 to three newspapers not empanelled in the media list.
- Audit noticed that the media list[41] for 2010-11, issued in January 2011 had two copies, Copy 1 and Copy 2. In Copy 2, a daily was newly

[39] The expenditure of ₹ 28.66 crore includes payment of ₹ 7.23 crore made in 2010-11 and committed liability of ₹ 21.43 crore.

[40] New Indian Express- ₹ 0.20 lakh; Theepantham – ₹ 2.73 lakh; Thejas – ₹ 16.62 lakh.

[41] As per Government order (July 1999) dailies with one year of uninterrupted circulation and 3,000 copies per edition are eligible to be included in the media list to receive advertisements from the Government.

inserted as Sl.No. 35. The total number of dailies in Copy 2 would have gone up to 74 with this insertion. However, to avoid detection of the insertion, Sl. No. 56 was shown twice and the total number was retained as 73, as in Copy 1.

Moreover, in Copy 1, 'All editions' of the daily 'Metrovartha' was mentioned, whereas in Copy 2, only 'Kochi edition' was listed. However, the rate shown in Copy 2 was the same as the rate of 'All editions' as in Copy 1.

On observing the discrepancies in the two copies, Audit sought the files and other connected records of the media list for 2010-11. However, the department did not produce the relevant files for scrutiny as required by Audit. In the absence of proper records, Audit could not assess the fairness in empanelment of dailies included in the media list.

- Though the daily 'Thejas' was not in the media list in 2009-10 and 2010-11, the department released advertisements worth ₹ 48.79 lakh to the daily in 2009-10 and 2010-11. Incidentally it was also observed that the Ministry of Home Affairs, Government of India, had raised (November 2009) doubts regarding the propagandist nature of the newspaper.

3.2.3.3 Issue of advertisements on rotation basis

Some States like Andhra Pradesh follow the procedure of rotation in releasing advertisements. This procedure has the following advantages:

- It minimises the cost of advertisements to a considerable extent.
- It tests the ability of a newspaper to run on its own without frequent support from the Government through advertisements which could have implications on objective reporting.

Currently, the State Government does not follow rotation procedure in release of advertisements.

The Government stated (August 2011) that as no violation of rules in release of advertisements was pointed out in Audit, the expenditure could not be considered as improper. The Government also stated that advertisements intended to give publicity to various welfare measures and projects implemented by an elected Government could not be avoided on the grounds of financial propriety. The reply does not explain how the advertisements are in conformity with the canons of financial propriety. The advertisements were not in the nature of giving publicity to the potential beneficiaries as to how to avail benefits under the welfare schemes. Instead, the advertisements were in the nature of highlighting the achievements of the Government.

Regarding the release of advertisements to the daily 'Thejas', the Government stated that though the daily was not included in the media list for 2009-10 an agreement was executed with the daily on 6 January 2010 and hence the department was bound to release advertisements. The reply is not acceptable as the media list for 2009-10 was issued in December 2009 and hence execution of agreement with the daily after the issue of media list itself was irregular.

PUBLIC WORKS DEPARTMENT

3.2.4 Payment beyond the scope of contract

Payment of ₹ 59.42 lakh was made to a contractor beyond the scope of the contract.

The Superintending Engineer (SE), Roads and Bridges, North Circle, Kozhikode awarded (December 2005) the work of construction of 'the Olassery-Palayangad Road, including a bridge across Chitturpuzha at Palayangad' in Palakkad district to a contractor for a contract amount of ₹ 3.60 crore which was 24.60 *per cent* over the estimate[42]. The SE had executed five supplemental agreements with the contractor for carrying out extra items of work valued at ₹ 2.25 crore related to the main work and extension of time was also granted up to 31 March 2008. The contractor completed the work on 28 May 2008 and final payment was made in October 2009. However, the contractor represented (August 2009) to the Minister (Public Works Department) for enhanced of rates for cement and steel. The Minister forwarded the representation (August 2009) to the Chief Engineer (CE) for his recommendations. The CE recommended the proposal (August 2009) to the Government for paying enhanced rates of cement and steel. The Government turned down (September 2009) the proposal on the plea of non-applicability of the stipulations of Government Circular of 10 October 2008 issued by the Finance Department to the above work. In accordance with para 2.5 of the circular, enhancement needed to be paid only for items executed after 1 April 2008 in respect of works for which extension of time of completion had been legally sanctioned and for works for which the time of completion had not expired. In the instant case, the actual purchase of materials was before 1 April 2008. However, the Government directed that payment may be made for the extra items executed by the contractor based on the prevailing Schedule of Rates (SOR)/market rates as per the rules. According to the original agreement, the payment for the extra items had to be made as per the original schedule of rates (2004 SOR) at which the work was tendered plus the tender excess (24.6 *per cent*). The contractor's bill was finally settled (as per 2004 SOR plus tender excess percentage) on the basis of the original agreement. As such, the contractor was not eligible for any further payment as per the direction of the Government. However, the Executive Engineer (EE), Roads Division, Palakkad paid ₹ 59.42 lakh in January 2010 to the contractor towards the difference in cost between the SOR of 2004 and the SOR of 2007 for works executed as extra items.

When this irregular payment was pointed out (February 2011) by Audit, the Government issued (March 2011) orders regularising the excess expenditure on the ground that there was considerable delay in completion of the work due to the delay in providing hindrance free land. The contention of the Government was not correct. The contractor had already been given benefit by way of supplemental agreements worth ₹ 2.25 crore as against the initial agreed value of ₹ 3.60 crore. The extra payment was in violation of contractual provisions.

[42] Based on 2004 Schedule of Rates

The matter was referred to the Government in June 2011. Their reply had not been received (October 2011).

3.2.5 Excess payment to a contractor due to incorrect application of unit rate

Erroneous calculation of rebate at the time of payment on a road work under the Central Road Fund Scheme resulted in excess payment of ₹ 65.03 lakh to a contractor

The Superintending Engineer (SE), National Highways South Circle, Thiruvananthapuram awarded (August 2008) an item of work 'widening and improvement of riding quality of a major district road'[43] in Thiruvananthapuram District under the Central Road Fund Scheme for an amount of ₹ 10.74 crore to a contractor. The contractor was paid (September 2009) ₹ 11.65 crore on completion of the work.

The successful bidder committed an error in recording the unit rate for 'providing and laying of bituminous macadam (BM)', an item of work in the Bill of Quantities (BoQ). Instead of the actual rate of ₹ 3,122.355/m^3 for the above item of work, ₹ 7,500/ m^3 was indicated in the BoQ. However, the total amount quoted for the estimated quantity of 6,853m^3 for the above item was shown correctly as ₹ 2.14 crore reckoned at the actual rate of ₹ 3,122.355/m^3. The grand total of his offer of ₹ 10.74 crore was also arrived at by taking the amount for the above item as ₹ 2.14 crore. The contractor pointed out the error in writing at the time of opening of the financial bid. However, the SE, instead of accepting the correct rate intimated by the contractor, executed the agreement by assuming the erroneous unit rate of ₹ 7,500/m^3 and arrived at the item total for 6,853 m^3 of BM and the grand total of the bid as ₹ 5.14 crore instead of ₹ 2.14 crore and ₹ 13.74 crore instead of ₹ 10.74 crore respectively. The excess of ₹ three crore[44] on account of the above modification was depicted as rebate and finally the total of his offer was arrived at ₹ 10.74 crore. The procedure followed by the SE was incorrect as the contract provided for a much higher unit rate of ₹ 7,500/m^3 of BM instead of ₹ 3,122.355/m^3 and further it resulted in a complicated solution to a simple issue. It was seen that on actual execution, the quantity of 6,853 m^3 for the item 'providing and laying of BM' increased to 8,926.17 m^3. A supplemental agreement was executed for the revised quantity without effecting the correction in the rate intimated by the contractor. When the payment was made, the department deducted only ₹ 3.26 crore[45] as rebate by calculating the rebate on the total payment of ₹ 14.91 crore on a proportionate basis.

[43] Neyyattinkara – Aruvipuram – Kattakkada – Neyyar Dam Road

[44] $\{(7500 - 3122.36) \times 6853\ m^3\}$

[45]

Total contract amount as worked out by the SE	: ₹ 13.74 crore
Rebate allowed by the SE	: ₹ 3.00 crore
Final amount payable as per supplemental agreement	: ₹ 14.91 crore
Rebate deducted	: $14.91 \times \frac{3.00}{13.74}$ = ₹ 3.26 crore

However, the actual amount to be deducted worked out to ₹ 3.91 crore[46]. This resulted in excess payment of ₹ 65.03 lakh to the contractor.

Failure of the SE to adopt the correct rate for 'providing and laying of BM' in the contract agreement and adoption of a convoluted mechanism to rectify the error, facilitated the excess payment to the contractor.

The matter was referred to the Government in June 2011. Their reply had not been received (October 2011).

WATER RESOURCES DEPARTMENT

3.2.6 Irregular refund of works contract tax

The Kerala Water Authority allowed irregular refund of works contract tax amounting to ₹ 50.95 lakh to a contractor in violation of statutory provisions.

The Kerala Water Authority (KWA) awarded (March 2003) the work of 'Water Supply Augmentation to Parur Municipality' to the Kerala State Construction Corporation Limited (KSCC), a Government of Kerala undertaking. The work was executed by KSCC through a consortium of three[47] contractors including M/s Noble Tech Engineering (P) Limited, Palarivattom, Kochi.

As per the notice inviting tenders (NIT) the rate of work contract tax (WCT) under the Kerala General Sales Tax (KGST) Act, 1963, was indicated as two *per cent* in respect of civil contracts and five *per cent* in respect of other contracts. It was also mentioned therein that tax would be deducted as per the rate applicable from time to time. Further, Section 7 (7C) of the KGST Act, stipulated that every awarder was required to obtain from the contractor at the time of every payment, a quarterly certificate issued by the Department of Commercial Taxes (assessing authority) showing the tax liability in relation to the works contract. Accordingly, the KSCC produced a certificate to KWA issued by the Department of Commercial Taxes in December 2003, specifying the rate of tax at 9.66 *per cent* in respect of M/s. Noble Tech Engineering (P) Limited (contractor).

As per the certificate, the KWA recovered WCT at the rate of 9.66 *per cent* from the bills of the contractor. In April 2005, the KSCC represented to the KWA that an amount of ₹ 1.35 crore had been recovered in excess towards WCT if the rate of two *per cent* mentioned in the agreement was adopted. Consequently, the Chief Engineer (CE), Central Region, Kochi decided (August 2005) to revise the WCT to the rate of 2.3[48] *per cent* and passed an order to refund the difference between 9.66 *per cent* and 2.3 *per cent*. This order was subsequently revised and it was decided to refund ₹ 50.95 lakh (difference between 5.75[49] *per cent* and 2.3 *per cent*) to the contractor, who

[46] ₹ 4377.64 (Difference between ₹ 7500/m^3 and the actual rate of ₹ 3122.36/m^3) x 8926.17m^3 (quantity executed): ₹ 39075559 = ₹ 3.91 crore

[47] M/s Noble Tech Engineering (P) Limited, M/s S&S Private Limited and Shri Pathrose George Karamen

[48] Two *per cent* Sales Tax + 15 *per cent* additional Sales Tax

[49] Five *per cent* Sales Tax + 15 *per cent* additional Sales Tax

was directed to claim the difference between WCT of 9.66 *per cent* and 5.75 *per cent* directly from the Department of Commercial Taxes.

The Department of Commercial Taxes stated (November 2005) that the orders issued by the CE were against the statutory obligation as envisaged in Section 10 of KVAT Act, 2003. It stated that it was up to the contractor to approach the Department of Commercial Taxes for getting refund of excess payment or for future adjustment as per rules which could only be considered on completion of the assessment for the respective year. This advice was ignored and KWA refunded (June 2007) ₹ 50.95 lakh to the contractor.

Thus the refund of ₹ 50.95 lakh given from the KWA funds to the contractor was irregular and beyond the powers of KWA. The Government stated (July 2009) that KWA had passed (May 2009) orders to recover the amount irregularly refunded to the contractor. The amount had, however, not been recovered (June 2011).

The matter was referred to the Government in July 2011. Their reply had not been received (October 2011).

3.2.7 Extra expenditure due to abnormal delay in finalization of tenders

Due to abnormal delay in finalization of tenders, the department could not consider the lower rates offered by some bidders, resulting in avoidable extra expenditure of ₹ 4.57 crore in four canal works of the Idamalayar Irrigation Project.

According to Para 15.7.13 of the Kerala Public Works Department Manual, consideration of tenders and decisions thereon should be completed well before the date of expiry of the firm period noted in the tenders. It is further stipulated that if delays are anticipated, the officer dealing with the tenders should instruct the official who opens the tenders to get the consent of the lowest three tenderers for extending the firm period by one month or more as required. In case the lowest or any tenderer refuses to extend the firm period, their tender cannot be considered.

The Superintending Engineer (SE), Project Circle, Piravom invited (28 December 2006) pre-qualification tenders for four canal works of the Idamalayar irrigation project, fixing the last date of receipt of tenders as 27 February 2007, which was subsequently extended to 14 March 2007. The firm period for all the pre-qualification tenders was four months (i.e., up to 13 July 2007). After evaluation, the SE forwarded the tender documents to the Chief Engineer (CE), Project II on 28 March 2007. The pre-qualification committee meeting of CEs was held only on 2 July 2007 due to delay in verification of the authenticity of the experience certificates of the bidders by the CE's office. The pre-qualification committee approved a list of 30 bidders in the meeting and the CE communicated the same to the SE only on 10 July 2007 which was received by the SE on 13 July 2007, the date of expiry of the firm period. Though the SE requested the bidders to extend the firm period for a further period of two months, only 15 out of 30 qualified bidders extended the firm period. The price bids of 15 bidders who were willing to extend the firm period were opened on 18 July 2007 and agreements were executed with the lowest bidders at 45 *per cent* above the estimated rates after obtaining orders of the Government. However, it was noticed in audit that among the offers of bidders who had not extended the firm period, there were bids offering lower rates ranging from 12 *per cent* below the estimated rates to 17 *per cent* above the estimated rates. As these bidders were not willing to extend the firm period, their lower offers could not be considered by the department. Thus, due to the failure to finalise the selection of pre-qualified bidders within the firm period, the department could not consider the bids at lower rates as the firm period of these bidders had expired. Consequently, the selection had to be made from the other bidders who had quoted higher rates, which resulted in avoidable extra expenditure of ₹ 4.57 crore in the four canal works as shown below:-

Table 3.4: Details of extra expenditure

Sl. No.	Name of work	Net work amount excluding items for which tender excess is not allowed (₹ in lakh)	Net difference in tender excess (in percentage)	Excess paid (₹ in lakh)
1.	Constructing aqueduct from Chainage 22914m to 23074m	136.25	28	38.15
2.	Constructing aqueduct from Chainage 23398m to 23676m	260.92	57	148.72
3.	Constructing aqueduct from Chainage 24102m to 24442m	386.23	36	139.04
4.	Constructing aqueduct from Chainage 30200m to 30510m	327.21	40.1	131.21
Total excess				**457.12**

Source: Financial offers of the bidders and running account bills

On this being pointed out, the Government replied (January 2010) that bidders quoting lower rates were likely to have been disqualified while evaluation of the pre-qualified tenders by the SE. Eighteen out of 48 bidders were disqualified. The Government also stated that there was a procedural delay due to the absence of any order fixing time limits for different authorities for processing of tenders. The reply is not acceptable as only bids of qualified bidders had been reckoned by Audit for computing the extra expenditure. Further, the Government should have fixed time limits for the different authorities much earlier and ensured strict compliance. Incidentally, the time limits had not been fixed so far (June 2011).

Based on the audit observation, an enquiry was conducted by a team consisting of officials[50] of the Water Resources Department. The Government further stated (May 2011) that as a follow-up of the enquiry report, the Chief Engineers had been asked to furnish proposals for issue of clear cut guidelines for finalization of the pre-qualification process.

The matter was referred to the Government in June 2011. Their reply had not been received (October 2011).

3.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of

[50] Joint Secretary, Under Secretary and Section Officer

irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the Executive but is also an indication of lack of effective monitoring. This, in turn, encourages wilful deviations from observance of rules/regulations and results in weakening of the administrative structure. A case of persistent irregularity detected by Audit is discussed below:

HIGHER EDUCATION DEPARTMENT

3.3.1 Excess payment of House Rent Allowance

Calicut University, Kannur University and Mahatma Gandhi University paid excess house rent allowance to their employees to the extent of ₹ 2.70 crore up to 2009-10.

In March 2006, the State Government revised scales of pay and allowances of Government employees/teachers of the State with effect from 1 July 2004. The Government (June 2006) extended the benefit to all the employees of universities (except Agricultural University) of the State. House rent allowance (HRA) paid to the employees of the Calicut University, Kannur University and Mahatma Gandhi University was examined in Audit between January 2010 and March 2011. As the headquarters of all the above universities were situated in unclassified places[51], the rate of HRA admissible per month was ₹ 150. Audit observed that against the admissible rate of ₹ 150, the employees working in the headquarters of the universities were paid HRA ranging from ₹ 250 - ₹ 1200, which was applicable to those employees working in B class cities.

The issue was first pointed out by Audit between July 2007 and January 2008 but no action was taken and the universities continued to pay HRA at the higher rates. Following this, the Government issued (January 2008) orders directing the universities to pay HRA strictly as per Government rules and to recover HRA, if any, paid in excess. Accordingly, Kannur University started paying HRA at the admissible rates (₹ 150 per month) from March 2008. Kannur University also stated (June 2011) that it had requested the Government to extend the benefit of HRA at municipal rates to its employees on the ground that the university headquarters was situated on the border of municipal limits. The recovery of excess HRA paid was kept in abeyance pending Government's response. Calicut University replied (May 2011) that the University had stopped payment of HRA at higher rates with effect from April 2011. A decision on the recovery of excess HRA paid would be taken on receipt of reply from the Government to their representation (December 2010) in this regard. Mahatma Gandhi University continued to pay HRA at inadmissible rates.

The replies of the universities in respect of non-recovery of excess payments are not acceptable since Government had already stated (January 2008) that it would not permit one set of rules for the State Government employees and another for the universities and directed the universities to recover the excess

[51] Not classified under cities, municipalities where higher rate of HRA is admissible

payment. The irregular HRA paid to the employees of the three universities amounted to ₹ 2.70 crore. The details are given below:

Table 3.5: Details of excess payment of HRA

Name of the University	Excess HRA paid during	Amount paid (₹ in crore)
Calicut University	July 2008 to March 2010	1.07
Kannur University	April 2005 to February 2008	0.18
Mahatma Gandhi University	March 2006 to March 2010	1.45
Total		**2.70**

The matter was referred to the Government in May 2011. Their reply had not been received (October 2011).

3.4 *Failure of oversight/governance*

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public service, etc. However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed below:

AGRICULTURE DEPARTMENT

3.4.1 Blocking of Funds

Release of ₹ 1.05 crore to the Kerala State Seed Development Authority for construction of five seed storage godowns and two seed processing units even before ensuring availability of land, resulted in blocking of funds during the period March 2003 to June 2009, besides incurring an expenditure of ₹ 1.19 crore towards rent for hiring godowns from April 2004 to March 2011.

The Director of Agriculture issued instructions (September 2002) for construction of five seed storage godowns in lands available with Krishi Bhavans/farms in the districts of Alappuzha, Kottayam, Ernakulam, Thrissur and Palakkad and two seed processing units in Alappuzha and Thrissur districts. These instructions were issued in connection with the 'Macro Management of Agriculture-Work Plan 2002-03'. The total estimated cost for the five seed storage godowns (₹ 75 lakh) and two processing units (₹ 30 lakh) was ₹ 1.05 crore. The task of implementation was entrusted to the Kerala State Seed Development Authority, Thrissur (KSSDA[52]). KSSDA requested (February 2003) the Director of Agriculture to issue necessary administrative sanction for construction of the godowns and also to deposit the entire amount in the bank account of KSSDA.

Availability of free sites was essential for smooth progress of work. Without ensuring availability of land, ₹ 1.05 crore was drawn and transferred to the bank account of KSSDA during the period March to May 2003. Though there

[52] A State autonomous body under the Agriculture Department

were repeated discussions within KSSDA between May 2003 and November 2008, they could not make any progress in the construction of godowns. The Government stated (July 2011) that the construction had not materialised due to procedural ineptitude and difficulty in finding suitable sites in the five districts. In November 2008, KSSDA decided to construct a Central Seed Godown-cum-Processing Centre at Alappuzha through the Kerala State Nirmithi Kendra[53] (KESNIK) instead of executing the work plan envisaged for construction of five seed godowns and two seed processing units. For this purpose, ₹ 89.16 lakh was given to KESNIK in five instalments during the period July 2009-March 2011. The construction of the godown was completed.

Non-construction of the godowns resulted in continued hiring of the godowns of Kerala State Warehousing Corporation[54] on rental basis since 2002-03 for storing seeds in these five districts[55] and the expenditure incurred towards rent during April 2004 to March 2011 was ₹ 1.19 crore.

Thus, release of funds to KSSDA without ensuring availability of suitable sites for construction of godowns resulted in blocking of funds with KSSDA during the period March 2003 to June 2009. Besides, there was expenditure of ₹ 1.19 crore towards rent for hiring of godowns.

FOREST AND WILDLIFE DEPARTMENT

3.4.2 Non-utilisation of funds

Due to lack of appropriate follow-up action by the Forest and Wildlife Department, ₹ three crore released for protecting an ecologically fragile mangrove eco-system remained unutilised for more than four years.

In order to protect and rehabilitate the ecologically fragile mangrove eco-system in the State, Government accorded (February 2006) sanction for the purchase of 50 hectares of mangrove land from private owners through negotiated purchase under the Land Acquisition Act. Based on a proposal from the Chief Conservator of Forests (Social Forestry), Government directed (March 2006) the District Collectors (DCs) of Kollam, Ernakulam, Thrissur, Kozhikode and Kannur to take immediate steps for land acquisition and the Divisional Forest Officers concerned to submit individual applications to the DCs. ₹ three crore was drawn (March 2007) for acquiring 49.8649 hectares[56] of mangrove land in three districts viz., Kollam, Thrissur and Kannur (Ernakulam and Kozhikode were excluded as the cost of acquisition was high) and ₹ one crore each was placed at the disposal of the DCs concerned. In accordance with Section 4(1) of the Ecologically Fragile Lands (EFL) Act, 2003, the Government has the power to declare, by notification in the Gazette,

[53] A State autonomous institution engaged in construction works using cost-effective technology

[54] Kerala State Warehousing Corporation is a statutory corporation having 50 *per cent* share capital by Central Warehousing Corporation and 50 *per cent* share capital by Government of Kerala.

[55] Alappuzha, Ernakulam, Kottayam, Palakkad and Thrissur

[56] Kollam : 18.7309 hectares, Thrissur : 5.1340 hectares, Kannur : 26.000 hectares

any land to be ecologically fragile land on the recommendation of the Advisory Committee. A request was sent by the District Collector to the Forest Department to submit a requisition with the connected documents such as (i) Government order sanctioning acquisition of land as per the Land Acquisition Act (ii) The alignment sketch showing the land to be acquired and iii) The copy of the *Adangal*[57] of the land to be acquired. However, the Forest Department did not submit any requisition notice along with details of land to be acquired to the concerned DCs. It was also noticed that the Forest Department did not verify along with the Revenue officials, the mangrove areas proposed for acquisition under the EFL Act, 2003. As such, the revenue authorities could not initiate land acquisition steps and utilize the funds. Further, it was decided in the meeting of the Chief Conservators of the Forest held on 18 March 2009 that land acquisition proceedings would only end up in the mangroves being cut down by the owners and it would be better to modify the scheme. In response to an enquiry by Audit, the department stated (July 2009) that the original proposal for which money was deposited was changed and it was decided to prepare an action plan for giving incentives to owners of mangroves to ensure their protection. However, it was seen that the department had again reverted to the original proposal of acquisition of mangroves and issued (June 2011) directions to the concerned departmental officers to take appropriate action. This indicates that the department did not have a clear strategy to address a serious ecological issue, which resulted in the entire amount of ₹ three crore remaining unutilised with the DCs.

It was also seen that though no funds were provided for the scheme in the Budget for 2006-07, ₹ three crore was obtained in the last batch (March 2007) of supplementary demands for grants and drawn in the same month. There was failure to utilise the funds. Consequently, the aim of protecting the ecologically fragile mangrove vegetation through acquisition of mangroves from private landowners could not be achieved, despite availability of funds. This also indicated the lackadaisical attitude of the department in utilising funds provided for environmental protection.

The matter was referred to the Government in June 2011. Their reply had not been received (October 2011).

HOME DEPARTMENT

3.4.3 Non-fulfilment of vision of Vigilance & Anti- Corruption Bureau

Effective functioning of the Vigilance & Anti - Corruption Bureau has the potential to yield substantial benefits to the Government. The constraints faced by the VACB at various stages of its operations have seriously impaired achievement of the objective of effectively combating corruption and misconduct by Government servants and public servants.

The Vigilance Division, under the control of the Director of Vigilance Investigation was formed by the Government of Kerala in 1964. It was renamed as Vigilance Department in 1975. The Vigilance & Anti-Corruption Bureau (VACB) was formed under the Vigilance Department in 1997. VACB

[57] Estimated value

is a specialized agency of the Government of Kerala, headed by a Director (in the rank of the Director General of Police), who is assisted by one Additional Director General of Police, one Inspector General of Police and one Superintendent of Police (Intelligence), along with technical and ministerial staff at the Headquarters. VACB is under the administrative control of the Vigilance Department headed by the Additional Chief Secretary to Government, Home and Vigilance. The field units of VACB are functioning in 14[58] districts located in four ranges[59]. Each unit functions under the Deputy Superintendent of Police and each range is headed by the Superintendent of Police. The annual budget of VACB is ₹ 31 crore (2010-11 Non-Plan). The number of Government servants and public servants falling under the jurisdiction of VACB is approximately 4.62 lakh. It has been laid down that VACB will not enquire into the conduct of officers of the Judicial Department, the Legislature Secretariat and the Kerala Public Service Commission except on the specific request of the departments.

The main objective of VACB is to effectively combat corruption and misconduct on the part of Government servants and public servants, particularly at the higher level. It derives the power to investigate the cases under the provisions of the Prevention of Corruption Act, 1988. The functioning of VACB is governed by the guidelines issued by the Government in May 1992 and April 1997.

The major activities of VACB include conducting of enquiries ordered by the Government, collecting information through surprise checks, confidential verifications, etc. and submitting the reports to the Government, with recommendations. VACB registers vigilance cases after enquiry, if necessary, and files charge-sheets before the Enquiry Commissioner and Special Judges Courts.

In audit, it was noticed that there were cases of delay in investigations as well as delay in taking action by the departments.

3.4.3.1 Delay in investigation of cases

The Government issued orders (April 1997) fixing the time limit as three to six months for enquiries/investigations of normal cases and 12 months for amassment of wealth cases. As against this, VACB took 20-24 months on an average in normal cases and 47-67 months for cases of amassment of wealth (2009). Audit scrutiny revealed that as of June 2011, 1,121 Confidential Verification/ Vigilance Enquiry/Vigilance Cases relating to the period up to March 2010 were pending with VACB. Audit also noticed that 775 cases were pending in the Vigilance Tribunal/ Enquiry Commission and Special Judges Courts. The details are given in **Table 3.6**.

[58] Alappuzha, Ernakulam, Idukki, Kannur, Kasaragode, Kollam, Kottayam. Kozhikode, Malappuram, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur and Wayanad

[59] Ernakulam, Kottayam, Kozhikode and Thiruvananthapuram

Table 3.6: Pendency in disposal of investigating cases

Enquiry Agency	2000-2004 (More than 5 years)	2005-2010 (Less than 5 years)	Total
VACB			
1. Confidential Verification	2	134	
2. Vigilance Enquiry	46	500	
3. Vigilance Cases	42	397	
Total	**90**	**1031**	**1121**
Vigilance Tribunal Enquiry	23	65	
Special courts	121	566	
Total	**144**	**631**	**775**
Grand Total	**234**	**1662**	**1896**

Source: Details furnished by VACB

Audit analysis of the reasons for pendency revealed the following:-

Monitoring the work of VACB

- Para 4(2) of Chapter I of the VACB Manual stipulates that the work of the Bureau is to be closely monitored and over-seen by the Vigilance Department in the Secretariat under the Principal Secretary[60] to Government, Home & Vigilance. The Vigilance Department, however, stated (October 2011) that the pendency details of investigation cases of VACB were not available with them. The huge pendency in VACB as shown in **Table 3.6** indicates inadequate monitoring by the Vigilance Department.

Augmentation of Courts

- For speedy disposal of cases, VACB requested (August 2009) the Government to sanction four more Vigilance Courts to be set up in four districts. The Government did not agree to the proposal on the plea that it was reviewing the present manner of invoking the vigilance enquiries. Consequently the problem of huge pendency of cases in the existing courts remained unaddressed (August 2011).

Posting of personnel

- VACB draws personnel from the Police Department as per the Government Order issued in May 1992. The Government Order also stipulates that the selected personnel will normally work for three years. A scrutiny of posting of police personnel in the VACB revealed that there were frequent transfers of Investigating Officers. This would adversely affect the speedy completion of enquiries.

Training of Investigating officers

- A Government Order stipulated (April 1997) that regular training should be imparted to the Investigating Officers at the Central Bureau of Investigation Training Centre at Delhi in order to familiarise them with the latest techniques of investigation. As against the sanctioned strength of 143 Investigating Officers, the number of officers trained was 'nil' in three[61] years, one in two[62] years and a maximum of 20 in one[63] year. Audit observed that 24 officers who had undergone the training were transferred out of VACB before they completed the normal period of three years. Further, the allocation for training

[60] Now Additional Chief Secretary
[61] 2000-01, 2004-05 and 2009-10
[62] 2001-02 and 2008-09
[63] 2005-06

purposes during the last five years was a meagre 2.65 *per cent* of the total budget allocation. This indicates that the training was not given adequate priority with potential adverse implications of non-achievement of the objective of such training.

3.4.3.2 Delay in taking action by departments

After completion of investigation by VACB, the reports, along with recommendations are sent to the administrative departments concerned through the Vigilance Department. Further action thereon has to be taken by the Administrative Departments themselves.

Audit scrutiny (June 2011) of the records of the Director, VACB revealed that as of March 2010, Action Taken Reports (ATR) in respect of 2,589 persons were pending in various administrative departments on the reports issued by VACB. Of these, ATRs in respect of 218 persons were pending for more than 10 years and ATRs on 1,195 persons for more than five years.

The year-wise details are given in the following table:

Table 3.7: Details of pending Action Taken Reports

Year	Up to 1999	2000-2005	2006	2007	2008	2009	2010	Total
Departmental action pending against persons	218	1195	212	215	258	216	275	2589

Source: Details furnished by VACB

Periodical returns

- Para 294 under Chapter XIX of the Manual of Vigilance & Anti - Corruption Bureau stipulates that the Vigilance Department will closely pursue the vigilance enquiry reports referred to the administrative departments for taking action. Further, instructions have also been issued by the Government (January 2010) to all Principal Secretaries/Secretaries of the administrative departments concerned to finalise the action on vigilance proceedings within a period of one year. The Government order also stipulates that a periodical return be sent to the Vigilance Department in the Secretariat by the Principal Secretaries/Secretaries of the administrative departments concerned every month regarding the action taken on the vigilance enquiry reports. Monitoring the compliance of this objective would require maintenance of all the particulars in an electronic database. However, the department replied (October 2011) that the pendency details were not available. Hence there was no assurance that the upper time limit of one year fixed by the Government for finalising action on vigilance proceedings was being scrupulously followed.

Effective functioning of VACB has the potential to yield benefits to the Government equal to several times the budget (₹ 31 crore) of VACB. The constraints faced by VACB at various stages of its operation have seriously impaired the achievement of the objective of effectively combating corruption and misconduct on the part of Government servants and public servants. This has adverse implications of diluting the deterrent effect on erring officials and in turn diluting the effectiveness of VACB.

The above observations were referred to the Government in July 2011. Their reply had not been received (October 2011).

INFORMATION TECHNOLOGY DEPARTMENT

3.4.4 Acceptance of bank guarantees without adequate documentation

Acceptance of bank guarantees (₹ 2.62 crore) without taking possession of documents relating to their verification resulted in non-detection of their being fake.

Infopark[64] entrusted (August 2007) M/s Farooq Constructions, Alappuzha (contractor), the work of construction of a four-lane road from the Seaport-Airport road to Infopark for a contract value of ₹ 15.41 crore. An agreement in this regard was executed between Infopark and the contractor in September 2007. M/s KITCO Limited, was engaged as consultant for the project.

As provided in the agreement, the contractor submitted (September 2007) six bank guarantees from Indian Overseas Bank (IOB), Komalapuram Branch, Alappuzha, one for ₹ 0.77 crore towards security deposit and five for ₹ 1.85 crore for obtaining ₹ 1.54 crore as mobilization advance. These bank guarantees were forwarded through the consultant. While taking custody of the bank guarantees there was failure to ask for the original written communication sent to the bank for confirmation of the bonafides of the bank guarantees and the confirmation given in writing by the bank. These documents were necessary to establish the veracity of verification having been carried out when the consultant claimed to have done the verification exercise. It was incidentally observed that the consultant did not seek a written confirmation from the bank. Thus, taking custody of bank guarantees without the associated documents related to verification made the documentation incomplete.

The contractor was slow in executing the work and the contract was terminated (August 2008) at the risk and cost of the contractor. The contractor had executed works worth ₹ 2.88 crore and part payment of ₹ 2.47 crore was made to the contractor. From the part payment bills, the recovery of mobilisation advance effected was ₹ 0.42 crore. When Infopark decided to encash the bank guarantees to recover the balance amount of mobilization advance of ₹ 1.12 crore, it was found that the bank guarantees were fake. Even the amount of ₹ 0.77 crore obtained towards security deposit was backed by a forged bank guarantee.

The balance work was re-tendered for ₹ 19.28 crore which was ₹ 6.75 crore[65] more than the value quoted by the original contractor. As per the terms of the original agreement, the balance work, if re-tendered, was to be executed at the risk and cost of the original contractor.

The Government stated (August 2011) that they took effective measures when the fraud was noticed and instructions were given (September 2008) to the Chief Executive Officer of Infopark to file a criminal complaint against the contractor and to issue legal notices to the bank and KITCO. Infopark stated (September 2011) that they had filed criminal cases against the contractor for

[64] A society registered under Travancore Cochin Scientific and Charitable Societies Act, 1955, which is functioning under the Information Technology Department, Government of Kerala.

[65] ₹ 19.28 crore – (₹ 15.41 crore - ₹ 2.88 crore)

submitting forged guarantees and for dishonouring the cheques[66] (₹ one crore) submitted by them. Infopark also stated that they had filed a civil case before the Sub-Court of Ernakulam for recovering the additional expenditure incurred by Infopark in re-tendering the work and the suit was pending before the court. Thus, acceptance of bank guarantees (₹ 2.62 crore) without taking possession of documents relating to their verification resulted in non-detection of their being fake.

3.4.5 Inappropriate selection of site for Information Technology Park

Failure of the Government in selecting suitable land for development of an Information Technology Park based on environment considerations led to abandonment of the site after incurring an expenditure of ₹ 2.61 crore and subsequent relocation of the park to an alternative site.

Government accorded (June 2008) administrative sanction for setting up an Information Technology Park (ITP) in Purakkad village of Ambalapuzha Taluk, Alappuzha District. Out of the 100 acres[67] of land proposed for the project, 80.58 acres of land were transferred (August 2008) to the IT Department for assigning to the Kerala State Information Technology Infrastructure Limited (KSITIL), the developer of the project. Out of the 19.73 acres of adjacent land identified for the project, KSITIL acquired 12 acres by direct purchase using the funds provided by the Government. Acquisition of the balance land (7.73 acres[68]) was pending with the revenue authorities. The land (including the land purchased by KSITIL) earmarked for development of ITP consisted of paddy fields which were submerged in water up to a depth of 1.5 metre.

In September 2008, Government of India approved the State Government's proposal for development, operation and maintenance of a 'Special Economic Zone' (SEZ) for the Information Technology/Information Technology Enabled Services sector over an area of 13.44 hectares (33.20 acres), subject to the condition that the development of land would conform to the environmental requirements. Therefore, it was obligatory on the part of KSITIL to obtain environmental clearance before undertaking the developmental works.

Clearance for conversion of land was to be given by the Government based on the recommendations of the State Level Monitoring Committee (SLMC) and the Local Monitoring Committee[69] (LMC). Before getting formal clearance from the Government, KSITIL developed (May 2010) eight acres (included in 33.20 acres) of land by constructing a bund wall, dredging and filling of water-logged land by incurring an expenditure of ₹ 2.61 crore. The LMC meeting held on 21 June 2010 made a recommendation to the SLMC (in which the Chairman, Kerala State Bio-diversity Board was a member) for examining the clearance for land conversion. SLMC visited the site on 25 September 2010. Subsequently, the Chairman, Kerala State Bio-diversity Board requested (December 2010) the Government to consider alternative

[66] Subsequently submitted in lieu of fake bank guarantees
[67] 2.47 acres is equal to I hectare
[68] 5.34 acres of paddy field and 2.39 acres of dry land
[69] Committee constituted for preservation of wetlands

land for setting up the ITP as the land identified for the park had some environmental issues. Based on this, the Government ordered (December 2010) KSITIL to relocate the proposed ITP to an alternative site (20.40.88 hectares) having no environment problems in Purakkad village of Alappuzha district.

The Government stated (July 2011) that eight acres of the developed land could be used as a wind energy farm for producing wind energy, after conducting studies. Thus, failure of the Government in selecting suitable land for development of ITP based on environment considerations led to abandonment of the site after incurring an expenditure of ₹ 2.61 crore and subsequent relocation of the park to an alternative site (land for the new site has not been acquired so far).

PUBLIC WORKS DEPARTMENT

3.4.6 Kerala Road Fund Board - Deficiencies in the execution of Thiruvananthapuram City Road Improvement Project

The Thiruvananthapuram City Road Improvement Project remained incomplete even after seven years of award of a contract to the Thiruvananthapuram Road Development Company Limited and the Government had incurred arbitration liability of ₹ 125 crore (as against the estimated cost of ₹ 140 crore) towards cost escalation, idling of resources, delay in handing over land, etc.

The Kerala Road Fund Board (KRFB) awarded (March 2004) the Thiruvananthapuram City Road Improvement Project to the Thiruvananthapuram Road Development Company Limited (TRDCL), to be implemented as a public private partnership (PPP) project under the Build-Operate-Transfer (BOT) scheme. The estimated cost of the project was ₹ 140 crore. As per the negotiated bid, the payment was to be made to TRDCL as six-monthly annuities of ₹ 17.75 crore for 15 years starting from 16 November 2006. The project was to be completed by November 2006. The scope of the work included widening of 12 corridors of city roads for a total length of 42 km, geometric improvement, strengthening of road surfaces, improvement of junctions, construction of flyovers, etc. The project remained incomplete even after seven years of award of the work.

As per the agreement signed between KRFB and TRDCL in March 2004, KRFB was to hand over an encumbrance-free site to TRDCL between 15 April 2004 and 30 December 2004. Smooth execution of work was critically dependant on a free site. Given a tight schedule of 30 months for execution of the project, the problems relating to an encumbrance-free site such as litigations, procedural formalities and disputes should have been sorted out before award of the work. In recognition of the complexity of providing a clear site, provisions of the Public Works Department manual stipulate that the land for starting the work in time should be in possession for being handed over before the award of the work. Given the merit in this stipulation, KRFB should have adopted this procedure. This was not done.

In a Government order of 1985, it was clearly recognized that incorporation of an arbitration clause could seriously jeopardise the Government's interest due to risk of misuse and consequent loss to the Government. In spite of this, the KRFB included the arbitration clause in the original agreement. Any delay in execution of a project has serious adverse implications by way of claims towards idle labour, idle machinery and cost escalation. These major risks were known at the time of calling for the bids. While there was a provision in the agreement for arbitration, the agreement executed in March 2004 did not provide for any formula regarding computation of claims towards idle labour and machinery, cost escalation and prescribe a verification mechanism for daily count of labour and machinery.

KRFB failed to provide encumbrance-free land as per the schedule mentioned in the contract and TRDCL stopped (November 2006) the work and demanded compensation (₹ 120 crore) towards cost escalation, extended stay, interest during construction etc. A preliminary assessment of the claims made by TRDCL was also done by M/s KITCO, a Government of India public sector undertaking and the value of compensation to be paid to TRDCL was assessed as ₹ 21 crore. While executing the resumption agreement (January 2008), it was agreed to resolve the above compensation claim through the arbitration procedure. TRDCL demanded an amount of ₹ 267.01 crore as compensation before the Arbitral Tribunal.

TRDCL's claim consisted of four parts. KRFB submitted before the Tribunal that all the claims made by TRDCL were not legally maintainable and factually sustainable and they were not liable to pay the amount claimed by TRDCL. It was prayed that the claims may be rejected. Later KRFB agreed to a non-speaking[70] award from the Tribunal and an amount of ₹ 125 crore was awarded in favour of TRDCL.

Having incorporated an arbitration clause in departure from the practice followed in the State, there was failure to clearly specify how compensation towards idle labour, idle machinery, cost escalation would be computed. This was thus a major lacuna in the original agreement. The monitoring mechanism was also flawed as they failed to maintain a day-wise log book of idle labour and machinery. These defects coupled with award of the project before ensuring all problems relating to providing of clear site to TRDCL which were not sorted out resulted in a massive contractual liability of ₹ 125 crore which was very close to the initial estimated cost of the project of ₹ 140 crore.

The Government replied (September 2011) that it had accepted the non-speaking award mainly to reduce the prolonged process involved in the arbitration and to avoid cost escalation that may arise because of this process. The reply is silent about the deficiencies in the original agreement and lapses relating to maintenance of log book during execution of the project.

As per the original agreement, the annuity payment was to start only after completion of the project. In contravention of this contract clause, KRFB made an upfront payment of ₹ 15 crore (in two instalments). A resumption agreement was also executed with TRDCL in January 2008 with a fresh annuity payment starting from January 2008, though the project had not been completed. The Government stated (September 2011) that measures taken by KRFB contributed to the speedy implementation of the project which

[70] An award made without giving reasons

eventually became beneficial to the public at large. The argument of Government is not acceptable as the decision of the Government was in violation of the original agreement and was clearly a favour to TRDCL.

3.4.7 Wasteful expenditure on repair works

The department carried out surface renewal works on a State highway immediately before the execution of heavy maintenance work under the Kerala State Transport Project, which resulted in wasteful expenditure of ₹ 73.19 lakh.

The Chief Engineer (CE), Kerala State Transport Project (KSTP) instructed (May 2008) the CE, Roads and Bridges, Public Works Department that only ordinary repairs should be carried out on the Palakkad-Meenakshipuram Road (36.30 km) as the road had been selected for immediate heavy maintenance work. However, the Executive Engineer (EE), Roads Division, Palakkad and the Assistant Executive Engineer (AEE), Roads Sub Division, Palakkad arranged to execute chipping carpet works[71] along 10 reaches[72] of the above road.

It was seen in audit that agreements for all these works were executed after receipt of the communication from the CE, KSTP and the works were undertaken during the period from 27 May to 24 December 2008. A total expenditure of ₹ 73.19 lakh was incurred on the repair works just before handing over the site to KSTP on 26 December 2008. Meanwhile, KSTP invited (August 2008) tenders and awarded (December 2008) a contract for heavy maintenance works. The work was commenced in December 2008 and completed in February 2011. Thus the execution of surface renewal works immediately before the execution of heavy maintenance works by KSTP on the road resulted in wasteful expenditure of ₹ 73.19 lakh.

The EE stated (November 2009) that due to heavy rain, the bituminous surface of the road had been damaged considerably and the maintenance work was carried out to make the road traffic-worthy. The reply is not acceptable as there were specific instructions by the CE, KSTP to undertake ordinary repair works only. Instead, the department carried out surface renewal (chipping carpet) works.

The matter was referred to the Government in July 2011. Their reply had not been received (October 2011).

3.4.8 Wasteful expenditure

Execution of a work without proper investigation and delay in rearranging the balance work rendered the foundation work of a bridge already executed at ₹ 52.39 lakh wasteful and also created additional financial commitment of ₹ 74.03 lakh due to change in design of the foundation.

Administrative sanction for the work 'construction of Muttakavu Bridge in Kollam-Ayoor Road' was issued in March 1996 for ₹ 1.05 crore and the work

[71] work intended to restore the road surface close to its original condition

[72] five reaches each having less than 1500m by EE and five reaches each having a length of 250m by AEE

was awarded (October 1998) to the Kerala State Construction Corporation Limited (KSCC) for an accepted probable amount of contract (APAC) of ₹ 1.89 crore. KSCC could not complete the work within the stipulated date (19 January 2000) of completion or within several extensions given up to 30 June 2003. KSCC completed only 10 *per cent* of the work and abandoned it after casting piles and carrying out a portion of pile driving work (cost of the work done: ₹ 52.39 lakh). Hence, the Superintending Engineer (SE), Roads and Bridges, South Circle, Thiruvananthapuram terminated (March 2004) the work at the risk and cost of the Corporation. However, the risk and cost liability of KSCC had not been assessed even after the lapse of seven years. The estimates were revised and administrative sanction for the revised estimates was issued (March 2009), after a delay of five years. The SE executed an agreement (October 2009) with another contractor for the balance work at an APAC of ₹ 3.55 crore.

The revised estimate was prepared based on the earlier design of the bridge of pre-cast pile foundation. While driving down of piles was attempted on resumption of the work, the pile heads were getting damaged due to the deterioration of the old pre-cast piles and the peculiar soil condition and the continuation of piling was found to be impossible. Hence, the design of the foundation had to be changed from pre-cast piles to bored *in situ* piles after detailed investigation. As a result, the estimated cost of the balance work increased to ₹ 4.29 crore. The execution of the balance work was in progress.

Thus the failure of the department to design a foundation structure suitable to the soil structure based on proper investigation and the inordinate delay in rearranging the balance work rendered the expenditure of ₹ 52.39 lakh on the work already executed wasteful and created additional commitment of ₹ 74.03[73] lakh at the estimated rates.

The matter was referred to Government in July 2011. Their reply had not been received (October 2011).

WATER RESOURCES/GENERAL ADMINISTRATION/HEALTH AND FAMILY WELFARE/ HIGHER EDUCATION/LEGISLATURE SECRETARIAT DEPARTMENTS

3.4.9 Avoidable payment of Power Factor penalty

Failure to install static capacitors/capacitors with sufficient rating by KWA and other departments resulted in Power Factor penalty of ₹ 6.61 crore.

As per the tariff orders issued by the Kerala State Electricity Regulatory Commission (KSERC), the following incentive and penalty are applicable to High Tension and Extra High Tension consumers for Power Factor (PF) improvement.

[73] ₹ 429.34 lakh – ₹ 355.31 lakh

Table 3.8: Power Factor penalty and incentive

Power Factor range	Penalty
Power Factor below 0.90	One *per cent* energy charge for every 0.01 fall in Power Factor from 0.90
Power Factor range	**Incentive**
Power Factor between 0.90 to 1.00	0.15 *per cent* of energy charges for each 0.01 unit increase in Power Factor from 0.90

Source: Tariff orders of Kerala State Electricity Regulatory Commission

KSERC recommended that static capacitors should be installed for power factor improvement. A detailed analysis of the electricity bills of the offices of the Kerala Water Authority (KWA) and other Government departments/ autonomous bodies revealed that the Kerala State Electricity Board (KSEB) charged PF penalty to the tune of ₹ 6.61 crore due to the PF being below 0.90 during the period from April 2005 to March 2011. Out of the total PF penalty of ₹ 6.61crore charged by KSEB, it was noticed that the major share of the penalty amounting to ₹ 4.35 crore pertained to KWA. At a belated stage, the energy management core team of KWA instructed (January 2010) the Executive Engineers of all Divisions to install capacitors within two months in all pumping stations to avoid penalties. The capacitors were, however, not installed (March 2011) and many of the Divisions continued to pay the PF penalty. Thus, the failure of the KWA and other Government departments/ autonomous bodies to install static capacitors/capacitors with sufficient rating resulted in PF penalty amounting to ₹ 6.61 crore till March 2011. The incentive which could have been received for PF between 0.90 and 1.00 could not also be availed of.

The matter was referred to Government in July 2011. Their reply had not been received (October 2011).

CHAPTER IV
CHIEF CONTROLLING OFFICER BASED AUDIT

INDUSTRIES DEPARTMENT

4.1 Chief Controlling Officer based audit of Directorate of Industries and Commerce

Highlights

Creation of a conducive environment is essential for the rapid industrialization of the State. The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output and employment opportunity in the country. The Directorate of Industries and Commerce aims at promoting MSMEs in the State. A Chief Controlling Officer based audit of the Directorate revealed the following deficiencies:

Deficiencies were noticed in monitoring of industrial plots allotted to entrepreneurs.

(Paragraph 4.1.7)

Delays ranging from four to 34 months were noticed in sanctioning of State investment subsidies.

(Paragraph 4.1.8.1)

Financial assistance by way of margin money loans, State investment subsidies and share capital contribution was disbursed without assessing the capability of the beneficiaries to utilize the amount for the intended purpose. No effective safeguards were put in place to recover the funds in case of non-adherence to the stipulated conditions. This resulted in very high default rates in repayment of loans and retirement of share capital contribution.

(Paragraphs 4.1.9 and 4.1.10)

The internal control mechanism in the Directorate was not effective.

(Paragraph 4.1.12)

4.1.1 Introduction

The Directorate of Industries and Commerce (Directorate) is the Chief Controlling Office of the 14 District Industries Centres of Kerala, the Common Facility Service Centres at Changanasserry and Manjeri and the Documentation Centre at Thiruvananthapuram. The Directorate is responsible for promoting/sponsoring, registering, financing and advising micro, small and medium enterprises (MSME) in the State. The MSMEs are the second highest employment providers in the State after agriculture. The vision of the Directorate is to make Kerala a hub for MSMEs. Its mission is to act as a facilitator, service provider and a catalyst for promoting and sustaining the MSMEs as well as the coir and handloom sectors of the State.

4.1.2 Organisational Set-up

The administrative head of the Industries and Commerce Department is the Principal Secretary to the Government. The Directorate of Industries and Commerce located at Vikas Bhavan, Thiruvananthapuram, is headed by the Director (Industries & Commerce). This is the functional arm of the department implementing various industrial activities and is responsible for promoting/sponsoring, registering, financing and advising Micro, Small or Medium Enterprise (MSMEs) industries in the State. The role of the directorate is to act as a facilitator for industrial promotion and sustainability of MSME and traditional industrial sector in the State. The directorate is the controlling office of the 14 District Industries Centres, Common Facility Service Centres at Changanacherry and Manjeri and a Documentation Centre at Thiruvananthapuram. The District Industries Centres are headed by General Managers and there are Taluk level officers under them for industrial promotional activities under their jurisdiction.

4.1.3 Audit Coverage and Methodology

A Chief Controlling Officer (CCO) based audit of the Directorate of Industries and Commerce was conducted during March – July 2011, covering the period from 2006-07 to 2010-11. During audit, the records of the Directorate, four[74] (out of 14) District Industries Centres (DICs), eight Taluk Industries Offices, one Common Facility Centre and two autonomous bodies viz. the Kerala Bureau of Industrial Promotion (K-Bip) and the Kerala Institute of Entrepreneur Development (KIED) were test-checked. The selection of DICs was made based on probability proportionate to size without replacement (PPSWOR) sampling. An entry conference was held (June 2011) with the Director of Industries and Commerce wherein the audit objectives, criteria, sample and scope of audit were explained. Audit findings were discussed in the exit conference held with the Secretary to Government, Industries Department in October 2011. The views of the Government/ Directorate have been taken into consideration for finalising the Audit Report.

4.1.4 Audit Objectives

The CCO based audit of the directorate was undertaken to assess whether:

- the financial management was effective, efficient and economical;
- scheme management was effective to achieve the annual plan targets; and
- the Directorate had adequate infrastructure to monitor the schemes and the monitoring system was operating effectively and efficiently.

4.1.5 Audit Criteria

The following audit criteria were adopted:

- Rules, notifications, guidelines and instructions issued by the Government;

[74] Ernakulam, Idukki, Kannur and Thiruvananthapuram.

- Departmental Manual/Policies/Rules and Regulations;
- State Financial Rules;
- Economic Review 2010, Planning Commission reports, etc.;
- Files, Registers and other documents of the Directorate.

Audit Findings

The important deficiencies noticed during audit are discussed in the succeeding paragraphs.

4.1.6 Financial Management

Funding for the functioning of the Directorate is done through provisions in the State budget for the Industries Department. The Kerala Budget Manual prescribes the manner in which departmental estimates are to be prepared and submitted in time for preparation of the annual budget in a realistic manner. Analysis of budget allotments and expenditure in audit revealed the following deficiencies:

4.1.6.1 Budget allocation and expenditure

Paragraph 14 of the Kerala Budget Manual states that estimates should always receive careful personal attention of the departmental officers who submit them and they should ensure that the estimates are neither inflated nor underpitched, but as accurate as practical. **Table 4.1** shows the allocation and expenditure under heads operated by the Directorate.

Table 4.1: Allocation and expenditure under heads operated by the Directorate

(₹ in crore)

Major head	2006-07		2007-08		2008-09		2009-10		2010-11	
	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan
Total Allocation	42.57	20.86	15.54	22.80	43.19	22.99	40.46	24.93	39.58	27.73
Total Expenditure	31.12	18.41	12.93	20.25	39.64	22.60	39.84	24.32	37.72	26.28
Excess(+) Savings(-)	(-)11.45	(-)2.45	(-)2.61	(-)2.55	(-)3.55	(-)0.39	(-)0.62	(-)0.61	(-)1.86	(-)1.45

Source: Figures furnished by the Directorate.

During the year 2006-07, there were considerable savings. In the subsequent years i.e. 2008-09 to 2010-11, though there were savings, the utilization of funds was very close to the budget allotment, indicating good estimation of budget requirements.

4.1.6.2 Supplementary Grants

Paragraph 89 of the Kerala Budget Manual stipulates that the primary responsibility in respect of proposals for supplementary appropriations is that of the Chief Controlling Officer (CCO) who should, therefore, act with utmost precaution in submitting such proposals. The CCO is required to submit the proposals for supplementary grants only after ensuring that the expenditure could not be foreseen at the time of original estimates were framed and that the expenditure cannot, in the public interest, be postponed to the next financial year.

As seen from **Table 4.2**, supplementary grants were obtained but their utilization was 'Nil' indicating incorrect assessment of requirements.

Table 4.2: Details of Supplementary grants obtained

(₹ in lakh)

Year	Head of account	Original provision	Supplementary obtained	Actual expenditure	Savings (*per cent*)
2006-2007	2851-00-102-49-P	-	50	-	100
2006-2007	4858-60-190-86-P	-	756	-	100
2007-2008	4851-00-102-94-P	-	200	-	100
2007-2008	4859-02-190-96-P	-	1500	-	100
2010-2011	2851-00-102-45-NP	-	200	-	100

Source: Data compiled from Detailed Appropriation Accounts of AG (A&E)

4.1.6.3 Rush of expenditure

Paragraph 91(2) of the Kerala Budget Manual states that the flow of expenditure should be so regulated throughout the year that there is no rush of expenditure. It is contrary to the provision to spend money hastily or in an ill-conceived manner merely because it is available or just to avoid lapse of funds.

Table 4.3: Rush of Expenditure in March

Year	Head of account	Total expenditure (₹)	Expenditure during March (₹)	Percentage of expenditure in March
2006-2007	4851-00-102-96 Plan	19,95,102	8,37,602	42
2007-2008	2851-00-102-84 Plan	4,08,63,966	4,08,63,966	100
2009-2010	4851-00-102-96 Plan	2,73,99,706	2,73,43,706	100
2009-2010	2851-00-102-47 Plan	4,43,35,186	3,33,88,519	75

Source: Data compiled from Detailed Appropriation Accounts of AG (A&E)

As seen from **Table 4.3**, in each of the years from 2007-08 to 2009-10, there was huge expenditure in the month of March ranging from 42 to 100 *per cent*. The Directorate did not furnish any reasons for rush of expenditure for these items, despite requests for the same from Audit.

4.1.7 Infrastructure - Industrial Plots

Allotment of industrial plots is one of the main activities of the Directorate. The allotment is covered by rules framed for sale of land on hire purchase basis issued during August 1970, read with amendment to the delegation of powers issued in January 1992.

The General Managers (GMs) of DICs have powers to sanction allotment of plots in Development Areas/Development Plots (DAs/DPs) and vacant spaces in industrial plots.

4.1.7.1 Mortgaging of plots

According to rules for sale of land on hire purchase issued and delegation of powers, the GMs of DICs have power to give permission to allow mortgage only the super-structure put up by the allottees in the Government land to avail institutional finance. However, it was seen that the GMs of DICs with the concurrence of Directorate permitted mortgaging of land by the allottees to financial institutions in some cases mentioned in **Table 4.4**.

Table 4.4: Details of industrial land mortgaged

Name of DIC	No. of cases	Area mortgaged	Period of mortgage
Thiruvananthapuram	4	144.2 cents	November 2006 to May 2010
Ernakulam	3	173.25 cents	January 2007 to March 2010
Idukki	2	15 cents	May 2008 to November 2009

Source: Details collected from the DIC

Allotees mortgage their allotted industrial land to raise loan from financial institutions. When the allotees defaulted in repayment of loan, the financial institutions sold the mortgaged land in public auction to recover their dues. Details of such cases noticed in audit are given in **Table 4.5**.

Table 4.5: Details of industrial land mortgaged

(₹in lakh)

Name of unit and DIC	Area mortgaged	Auctioning agency	Amount for which auctioned[75]
M/s TK Chemicals, DIC Thiruvananthapuram	4.99 acres	Debt Recovery Tribunal	248.00
M/s Durgalakshmi Pipes, DIC Ernakulam	15 cents	Dy. Collector, Kerala Financial Corporation, Ernakulam	4.00
M/s Star Refineries, DIC Ernakulam	2 acres	Dy. Collector (RR), Ernakulam	29.50

Source: Details collected from the DIC

Thus, mortgaging the land for raising financial resources was irregular and resulted in loss of the land earmarked for industrial purposes.

As per the provisions contained in Government orders (August 1970), the Director has the power to resume the land in the event of a concern belonging to an industrialist being wound up. The basic objective of this stipulation is to allot the plot to other entrepreneurs. Audit scrutiny revealed that in 17 cases, the original allottees transferred (January 2006 to May 2011) the plots to new parties instead of returning the land to the DIC. The selection of the new parties was decided by the original allottees instead of the DIC. This would have resulted in financial gain to the original allottee.

4.1.7.2 Safeguarding of industrial land

As per the Kannur DIC records, the total extent of land in Andoor DP was 59.31 acres. Land measuring 8.35 acres was used for development of infrastructure and 44.97 acres was allotted to various industrial units. The remaining land of 5.99 acres valued at ₹ 26.39 lakh (as per the value, when it was purchased in 2003 by the department) was encroached upon due to failure of DIC to protect the land. The GM, DIC, admitted (June 2011) that the land was lost due to encroachment and re-survey would be conducted to identify the lost land.

4.1.8 State investment subsidy

The Government of India (GOI) introduced the Central Investment Subsidy (CIS) in 1971 to promote industries in the most backward districts of the country. In Kerala, this was first introduced in Alappuzha, and was

[75] Including superstructure

subsequently extended to Kannur, Malappuram, Idukki, Wayanad, Thrissur, Kasargode and Thiruvananthapuram. Since the CIS was prevalent only in a few selected districts, the Government decided to introduce a similar scheme for the other districts under the name of State Investment Subsidy (SIS) scheme. After the Government of India withdrew CIS in the year 1988, SIS was extended all over the State. The provisions for grant of subsidy are contained in the Manual for SIS (July 2000) and its amendments (January 2004). All claims received for grant of SIS are to be disposed of in three months from the date of receipt of completed applications.

4.1.8.1 Time limit for grant of SIS

All applications for subsidy for less than ₹ 10 lakh are to be considered and disposed of by the District Level Committees (DLCs) on SIS. Audit scrutiny revealed delays in sanctioning of SIS ranging from four to 34 months in 285 cases as detailed in **Table 4.6**.

Table 4.6: Details of delays in sanctioning SIS

District	Sanctioned	Cases for which details were available	Applications in which there were more than three months delays in sanctioning	Period of delay
Thiruvananthapuram	118	94	41	4 to 27 months
Ernakulam	457	269	138	4 to 34 months
Idukki	88	64	34	4 to 24 months
Kannur	129	120	72	4 to 27 months
Total	**792**	**547**	**285**	

Source: Details collected from the DIC

Cases involving subsidy of ₹ 10 lakh and more are to be considered and disposed of by the State Level Committee[76] (SLC) for SIS. The SLC sanctioned payment of subsidy to 19 cases during the period from 2008-09 to 2010-11. Delays ranging from three to 14 months were noticed in 12 cases. Audit observed that the delay in sanctioning of subsidy occurred due to reasons such as non-conducting of SLC/DLC meeting once in three months, acceptance of applications without scrutiny and non-availability of funds.

The Director stated (September 2011) that instructions had been issued to all the DICs to accept only those applications which are correct in all respects and efforts would be made to convene SLC/DLC meetings at least once in every three months.

4.1.8.2 Improper release of SIS

As per the provisions of the Manual of SIS (January 2004), industrial units should be working as on the date of release of subsidy. Audit scrutiny revealed that DIC Idukki released a subsidy of ₹ 25 lakh to M/s Cybele Herbals which was not functioning at the time of release of subsidy. The Director replied (September 2011) that the subsidy amount was released on the basis of instructions received from the Government. However, revenue recovery action had been initiated to recover the subsidy amount.

[76] SLC consist of Principal Secretary (Industries) as Chairman, Director of Industries and Commerce as member secretary and other official members.

4.1.9 Post-disbursement monitoring of units that were granted SIS

Post-disbursement monitoring of units that received SIS was ineffective

One of the provisions contained in the Manual for SIS (July 2000) stipulates that the industrial units which receive the subsidy will be under obligation to remain working for five years from the date of commencement of production. To monitor this condition, the standard agreement between the DIC and the industrial units that receive subsidy provides for submission of their annual audited statement of accounts to the DIC. In the selected districts, during the period of audit, 792 units were given SIS, of which 622 units were stated to have been checked by the DICs to ascertain whether they were functioning. However, such audited statements were not available in the DICs in support of this verification having been properly conducted. The following deficiencies were noticed in the verification process:

- No mechanism had been put in place to ensure that all the units were periodically visited and details like electricity bills, bank account statements, etc., of the units were collected to conclude that the units were in operation.
- Mortgaging of assets at the time of disbursement of subsidy would have facilitated speedy recovery of subsidy if they were not found to be operating during the stipulated period. This mechanism had not been adopted.

The Director stated (September 2011) that action would be initiated to strengthen the monitoring mechanism.

4.1.10 Margin money loans

In order to boost the growth of industries in the State, margin money loans (MML) subject to a maximum of ₹ 2.5 lakh were to be granted to all newly registered SSI units. MMLs were to be sanctioned on the basis of loans sanctioned by the financial institutions. The loans were to be repaid in 16 equal quarterly instalments and were to carry interest of six *per cent* per annum for loans sanctioned with effect from 27 July 2004. In cases of failure to repay MML, levy of penal interest of additional 2.75 *per cent* was also provided for.

Audit scrutiny revealed that during the period 2002-2007, in the four selected districts, ₹ 9.47 crore was paid as MML to 651 units whose repayment schedule commenced from 2006 onwards. Three hundred and thirty six such units which were paid ₹ 4.71 crore neither repaid the principal nor the interest. Further, 149 units which received MML of ₹ 2.17 crore, repaid only interest as shown in **Table 4.7**.

Table 4.7: Details of MML paid and recovered

District	Total loans disbursed		Units which had not repaid principal and interest (with percentage)		Units which had not repaid principal	
	Number of units	Amount (₹ in crore)	Number of units	Amount (₹ in crore)	Number of units	Amount (₹ in crore)
Thiruvananthapuram	153	1.77	106	1.16 (65.53)	21	0.29
Ernakulam	355	5.85	188	2.98 (50.94)	77	1.29
Kannur	75	0.97	24	0.36 (37.11)	28	0.35
Idukki	68	0.88	18	0.21 (23.86)	23	0.24
Total	**651**	**9.47**	**336**	**4.71**	**149**	**2.17**

Source: Figures collected from DIC.

Reasons for the high rate of defaults in repayment of MMLs were as follows:

Recovery mechanism for MML granted to entrepreneurs was ineffective

i. Absence of proper pre-disbursement verification to ensure disbursement of financial assistance to only genuine and capable entrepreneurs who could run the industries successfully.

ii. Adequate safeguards like hypothecation/pledge of the facility were absent. This was due to the laid down instructions that no collateral security or charge on assets of the unit shall be taken during the pendency of loans availed by the unit from the financial institution.

The Director stated (September 2011) that the mechanism for watching the progress of repayment of MMLs would be strengthened.

4.1.11 Share participation by Government in Industrial Co-operative Societies

Default in retirement of ₹ 1.23 crore paid towards Share Capital Contribution

The rules for share participation by Government in Industrial Co-operative Societies (March 1994) provide for share participation by Government in Industrial Co-operative Societies. The rules also stipulate that the share so contributed by the Government shall be retired after a period of 15 years.

Audit scrutiny revealed that there was no retirement of share capital contribution as provided in the rules in the four test-checked DICs as shown in **Table 4.8**:

Table 4.8: Details of share capital pending retirement

(₹in lakh)

District	Amount of Share Capital Contribution pending retirement
Ernakulam	6.94
Idukki	29.95
Kannur	58.09
Thiruvananthapuram	27.93
Total	**122.91**

Source: Figures collected from DIC.

The Director stated (September 2011) that the Industrial Co-operative Societies were faced with problems like lack of know-how in business management/ marketing, professional management, inadequate infrastructure, over-dependence on Government for financial assistance and restrictive provisions of co-operative laws. However, directions would be given to ensure collection of Government's share towards share capital contribution.

Further, in the exit conference (October 2011), the Joint Director stated that the Government would take over the assets of the defaulting industrial societies on their liquidation. This indicates inadequate assessment of the capacity of the beneficiary to run the business profitably at the time of initial release of financial assistance.

4.1.12 Internal Control Mechanism

4.1.12.1 Internal audit

Internal audit wing was almost defunct

Internal audit is a device through which an organisation is able to obtain independent feedback on its functioning. The internal audit wing of the Directorate headed by a Senior Finance Officer and supported by a Junior Superintendent and three Clerks had been entrusted with the task of conducting internal audit of the 14 District Industries Centres and 57 Taluk Industries Centres every year. The units audited during the years 2006 to 2010 were as shown in **Table 4.9**:

Table 4.9: Details of internal audit conducted by the Directorate

Year	Total units	Number of units audited	Shortfall in audit (percentage)
2006	73	3	95.89
2007	73	NIL	100
2008	73	7	90.41
2009	73	4	94.52
2010	73	2	97.26

Source: Figures collected from Directorate

Heavy pendency of more than 90 *per cent* in internal audit indicated that the internal audit wing was almost defunct. It had not conducted any risk analysis for selection of units to be audited.

The Director stated (September 2011) that the present staff strength was not sufficient for conducting regular internal audit and the Government had been approached for strengthening the internal audit wing.

4.1.13 Conclusion

Various schemes operated by the Directorate were basically confined to allotment of land and disbursement of financial assistance. The rules for allotment of land do not permit the allotees to mortgage the land to the financial institutions for raising loans. It was seen that the DICs permitted the allotees to mortgage the land to the financial institutions in violation of the allotment rules resulting in loss of control over industrial land. There were delays in sanctioning the State investment subsidy as the SLC/DLC meetings were not conducted within three months as required. There was failure to assess the capability of the entrepreneurs to run the business profitably. Monitoring of industrial land allotted was inadequate. Internal control of the Directorate was also found to be weak.

4.1.14 Recommendations

- The Government should take steps to prevent the allottees from mortgaging the land to the financial institutions for raising loans.

- The viability of the projects and financial capacity of the entrepreneurs should be properly assessed by the DICs before allotment of industrial plots and sanctioning of financial assistance to the entrepreneurs.
- The monitoring mechanism of the functioning of the industrial units needs to be strengthened.
- The internal control mechanism of the Directorate of Industries and Commerce needs to be strengthened.

(G.N.SUNDER RAJA)
Principal Accountant General (Civil and Commercial Audit), Kerala

Thiruvananthapuram,
The 27 February 2012

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi,
The 6 March 2012

Appendix 1.1
Year-wise breakup of outstanding Inspection Reports as on 30 June 2011
(Reference: Paragraph 1.7.1, Page 10)

Year	Water Resources Department		Collegiate Education Department		Industries Department		Total	
	Number of IRs	Number of Paras	Number of IRs	Number of Paras	Number of IRs	Number of Paras	Number of IRs	Number of Paras
Up to 2006-07	26	101	49	154	17	43	**92**	**298**
2007-08	42	97	64	217	12	47	**118**	**361**
2008-09	50	121	75	334	6	20	**131**	**475**
2009-10	69	266	55	219	30	125	**154**	**610**
2010-11	60	291	50	255	22	185	**132**	**731**
Total	**247**	**876**	**293**	**1179**	**87**	**420**	**627**	**2475**

Appendix 1.2
Details of Action Taken Notes pending as of September 2011
(Reference: Paragraph 1.7.3, Page 10)

Sl. No.	Department	2007-08	2008-09	2009-10	Total
1.	Agriculture		1	1	**2**
2.	Finance			1	**1**
3.	Fisheries and Ports			1	**1**
4.	Forest and Wildlife	1		1	**2**
5.	Food, Civil Supplies and Consumer Affairs			1	**1**
6.	General Education			1	**1**
7.	Health and Family Welfare		4	5	**9**
8.	Higher Education	1	1	4	**6**
9.	Home		2		**2**
10.	Power		1		**1**
11.	Public Works		8	4	**12**
12.	Scheduled Castes and Scheduled Tribes Development		1		**1**
13.	Transport	1	1	1	**3**
14.	Water Resources			2	**2**
	Total	**3**	**19**	**22**	**44**

Appendix 1.3
Statement showing the details of paragraphs pending discussion by the Public Accounts Committee as of September 2011
(Reference: Paragraph 1.7.4, Page 10)

Name of Department	2007-08	2008-09	2009-10	Total
Agriculture	---	1	1	2
Finance	2	---	1	3
Fisheries and Ports	---	2	1	3
Food, Civil Supplies & Consumer Affairs Department	---	---	1	1
Forest and Wildlife	2	1	1	4
General Education	---	---	1	1
Health & Family Welfare	---	4	5	9
Higher Education	1	1	4	6
Home	---	3	---	3
Industries	2	---	---	2
Local Self Government	---	2	---	2
Planning & Economic Affairs	1	---	---	1
Power	---	1	---	1
Public Works	---	8	4	12
Water Resources	---	---	2	2
SC/ST Development	---	1	---	1
Social Welfare	1	---	---	1
Transport	2	1	1	4
Housing	---	1	---	1
Personnel & Administrative Reforms	---	1	---	1
Total	**11**	**27**	**22**	**60**

Appendix 2.1
Details of delay in completion of schemes
(Reference: Paragraph 2.1.7.2, Page 28)

Sl. No.	Name of scheme	Month/Year of commencement	Stipulated month/year of completion	Actual month/year of completion	Period of delay
1	ARWSS to Tarur Village	April 2002	April 2005	January 2007	21 months
2	ARWSS to Puducode	April 2002	April 2005	September 2006	16 months
3	ARWSS to Mathur	2005	2006	2007	1 year
4	ARWSS (Technology Mission) to Pudussery	2001	2004	2010	6 years
5	ARWSS to Vaniyamkulam	April 2002	Not given	2007	Exact delay could not worked out

Appendix 2.2
Details showing works yet to be completed
(Reference: Paragraph 2.1.7.2, Page 28)

(₹ in lakh)

Sl. No	Name of scheme & Population covered	Estimated cost	Month/ year of commen-cement	Stipula-ted month of comple-tion	Expen-diture incurred (02/11)	Status of works/Reasons for non-completion
1	WSS to Parali I (19,256)	95	August 2009	August 2010	91.82	Delay in obtaining permission from Railway authorities for crossing lines. The Executive Engineer stated (October 2011) that permission had since been obtained and the scheme would be completed by March 2012.
2	WSS to Parali II (16,236)	95	November 2009	November 2010	88.57	-- do --
3	ARWSS to Kodumba & Polpully (60,000)	1030	September 2003	September 2005	355.52	Work of laying distribution pipes was to be taken up. The Executive Engineer stated that administrative sanction was awaited.
4	ARWSS to Pottassery (35,802)	340	November 2000	November 2002	236.31	Delay in completion of work of source and treatment plant. The Executive Engineer stated that tender was invited (October 2011).
5	ARWSS to Pattambi (28,675)	460	February 2003	February 2005	255.17	Works of water distribution system for zone II & III were still to be completed. The Executive Engineer stated that administrative sanction for the work is awaited (October 2011).
6	ARWSS Kumaram-puthur – Payyanadam (33,570)	583	February 2003	February 2004	390.56	The Executive Engineer stated (October 2011) that the work of distribution of zone II would be completed by February 2012 and the project would be commissioned by March 2012
7	ARWSS (NC/ PC) to Lakkidi – Perur (5,000)	70	March 2006	June 2006	70.00	Sanction for railway crossing was not obtained.
8	ARWSS to Nellaya – Kulukkallur (84,750)	720	2003	Not furnished	138.21	Laying of distribution system was in progress.
9	ARWSS (NC/PC) to Mankara (10,000)	163	2004	May 2007	201.73	The scheme after completion was handed over to the Grama Panchayat. The Executive Engineer stated (October 2011) that the Panchayat could not operate the scheme as there were no sufficient technicians to maintain the scheme.
	Total	**3556**			**1827.89**	

Appendix 2.3
Details of physical targets fixed and achievements for eco-restoration
(Reference: Paragraph 2.1.13.2, Page 36)

Sl. No.	Component	Physical target for project period	Achieve-ment up to 2009-10	Percentage of achieve-ment	Expend-iture (₹ in crore)	Remarks
1	**Private land development**	8118 Ha	7889 Ha	97	7.66	Private land development includes developing minor irrigation facility, drainage line treatment, land use, promotion of field crops, development and maintenance of plantations etc.
2	Developing minor irrigation facility	800 Ha	764 Ha	96	1.87	
3	Private drainage line treatment	361 Ha	342 Ha	95	10.21	
4	Private land use plan – First year	4905 Ha	5354 Ha	109	10.01	
5	Private land use plan – Second year maintenance	4,441Ha	4,247 Ha	96	3.20	
6	Plantation works – Third year maintenance	4,600 Ha	4,035 Ha	88	1.96	
7	Plantation works – Fourth year maintenance	3,405 Ha	1,585 Ha	47	0.46	
8	Plantation works – Fifth year maintenance	3,434 Ha	1,413 Ha	41	0.22	
9	Establishment of Nurseries	4862658 Nos	4144141 Nos	85	1.88	
10	Promotion of field crops	2084 Ha	2288 Ha	110	0.52	
11	**Forest Land development** Fencing post production and procurement of barbed wire	378 km	308 km	81	2.60	Forest land development includes fencing, post production, forest bio-mass conservation, forest plantation works, and watershed based participatory fire management, other government land plantations and structural conservation in forest land.
12	Forest Biomass Conservation – First year	7947 Ha	8062 Ha	101	2.50	
13	Forest Biomass Conservation – Second year maintenance	7947 Ha	7566 Ha	95	1.23	
14	Forest Biomass Conservation – Third year	6697 Ha	6369 Ha	95	1.20	
15	Forest Biomass Conservation – Fourth year	5497 Ha	5330 Ha	97	0.90	
16	Forest Biomass Conservation – Fifth year	4497 Ha	4346 Ha	97	0.70	
17	Forest Plantation works – First year	3938 Ha	3756 Ha	95	6.54	
18	Forest Plantation works – Second year maintenance	3938 Ha	3776 Ha	96	3.12	
19	Forest Plantation works – Third year	3938 Ha	3728 Ha	95	2.78	
20	Forest Plantation works – Fourth year	3363 Ha	3272 Ha	97	2.08	
21	Forest Plantation works – Fifth year	2866 Ha	2761 Ha	96	1.78	
22	Protection of treated area all and above sixth year maintenance	11729 Ha	10147 Ha	87	3.04	
23	Watershed based participatory fire management	3700 Ha	10331 Ha	279	0.48	
24	Structural conservation in forest land	158 km	113 km	72	4.24	
25	Water resource development	2,333Nos	1,682 Nos	72	4.10	Water resource development consists of irrigation systems, water harvesting systems and systems for recharging aquifers

Appendix 2.4
Details of 46 services envisaged under e-District programme
(Reference: Paragraph 2.1.14, Page 39)

Name of department	Sl. No.	Name of certificate/other services
Revenue Department	1.	Caste Certificate
	2.	Community Certificate
	3.	Residence Certificate
	4.	Relationship Certificate
	5.	Nativity Certificate
	6.	Domicile Certificate
	7.	Income Certificate
	8.	Possession Certificate
	9.	Identity Certificate
	10.	Legal Heir Certificate
	11.	Solvency Certificate
	12.	Location Certificate
	13.	Conversion Certificate
	14.	Dependency Certificate
	15.	Destitute Certificate
	16.	Family membership Certificate
	17.	Inter caste marriage Certificate
	18.	Life Certificate
	19.	Non-remarriage Certificate
	20.	One and the same Certificate
	21.	Possession and attachment Certificate
	22.	Valuation Certificate
	23.	Widow-Widower Certificate
Revenue Department (Cases)	24.	Issue of notices
	25.	Listing of cases
	26.	Adjournment of cases
	27.	Tracking status of execution of orders
	28.	Stay and final orders of cases
Local Self Government Department	29.	Registration of Birth/ Certificate
	30.	Registration of Death/ Certificate
	31.	Registration of Marriage/ Certificate
	32.	Single Window Services through Soochika Module
Civil Supplies Department (Public Distribution System)	33.	Issue of New Ration Card
	34.	Issue of Duplicate Ration Card
	35.	Addition of Name
	36.	Deletion of Name
	37.	Change of Name
RTI/Grievance Services	38.	Application for information under RTI
	39.	Grievance and Complaints of various departments (Revenue Agriculture, Police, Passport at District Passport Cell, Transport and Election)
Agriculture	40.	Soil Testing
	41.	Crop Insurance
	42.	Indemnity of Crop Insurance
Home (Police, District Passport Cell)	43.	Petition Filing
	44.	Information on missing/dead person
	45.	Filing of passport application at district passport cell
	46.	Status of passport application at district passport cell

Appendix 2.5
Statement showing the status of projects
(Reference: Paragraph 2.2.6.1; Page 45)

Component		Target	Achievement as on		
			30.06.2007	**31.12.2010**	**31.07.2011**
Component 1 – Phase –I					
KSTP-1					
Link 1	Taikod-Kottarakkara (46.02 km)	15.12.2005 (3yrs)	17.62 km (BC)	46.40 km	Substantially completed
Link 2 & 3	Kottarakkara-Chengannur (44.43 km)	15.12.2004 (2 yrs)	…….	44.25 km	
Link 72	Taikod-Kazhakkuttam (12.60 km)	15.12.2003 (1 yr)	…….	12.60 km	
Link 73	Alappuzha-Changanassery (24.14 km)	15.12.2005 (3yrs)	19.14 km	24.14 km	
Total	127.192 km	15-12-2005	36.76 km	127.39 km	127.39 km
KSTP-3					
Link 6	Muvattupuzha-Angamali (32.20 km)	15.12.2004 (2 yrs)	32.20 km	Completed	Completed on 31.01.2007
Link 70	Muvattupuzha-Thodupuzha (16.92 km)	15.12.2003 (1 yr)	16.92 km	Completed	
Total	49.12 km	15-12-2004	49.12 km	49.12 km	49.12 km
KSTP-4					
Link 50.1	Palakkad-Shornur (45.3 km)	15.12.2004 (2 yrs)	18.44 km	IV A 39.26 *per cent*	Substantially completed
Link 40	Thrissur-Kuttipuraam (33.10 km)	15.12.2004 (2 yrs)	7.81 km	IV B1 68.3 *per cent* IVB2 56.77 *per cent*	
Total	**78.4 km**	15-12-2004	26.25 km		77.49
Total for upgradation of roads **(254.712 km)**		15.12.2005	112.13 km		**254.00**
IWT-1	Pilot inland waterway upgrading **93 km**	11-8-2005	Nil	Nil	
Total for upgradation in phase I **347.70 km**					
Phase II					
KSTP-5					
Link 68	Pilathara-Pappinissery (21 km)	Not taken up			
Link 69	Kasargod-Kanhangad (28.07 km)				
Link 74	Thalassery-Valavupara (53.80 km)				
Total	102.87 km				
KSTP-6					
Link 4	Chengannur-Ettumanoor (47.00 km)	Not taken up			
Link 5	Ettumanoor-Muvattupuzha (43.00 km)				
Total	90.00 km				

Component		Target	Achievement as on		
			30.06.2007	31.12.2010	31.07.2011
KSTP-7					
Link 84.1-4	Punalur-Ponkunnam (81.00 km)	Not taken up			
Link 84.5-8	Ponkunnam-Thodupuzha (50.30 km)				
Total	131.30 km				
Total for Phase II 324.17 km					
Total for component 1 for Phase I and II 671.88 km					
Component 2					
Year 1	RMC-1 to 13 (339.10 km)	16.07.2003	25.02.2004	Completed on 30-06-2006 (339 km)	Completed
Year 2	RMC-14 to 26 (350.00 km)	27.07.2005	15.03.2006	Completed on 30-06-2007 (335 km)	Completed
Year-3	RMC-27-37* (320.00 km)	01.01.2007	30.03.2008	Completed on 16-05-2010 (326 km)	Completed
Additional RMC	RMC-45-51			156 km	Completed
	Total RMC			**1156 km**	
Component 3					
Road Safety component	Comprises consultant services for black spot identification, programming and designing minor improvement works, equipment and accessories for improving the road safety systems in the State	Not available			
Component 4					
Institutional Strengthening	Includes services to implement the institutional strengthening action plan, developing and installing a road management system, road safety management, equipment and software for setting up a sustainable information management system	By 2004	Not completed		

*RMC 27-37 in PAD, but 44 RMCs were carried out.

Appendix 2.6
Statement showing allocation, expenditure and cost over-run of the project
(Reference: Paragraph 2.2.6.2; Page 46)

Sl. No.	Component	As per PAD						Expenditure as on 31.07.2011		
		Total		Phase I		Phase II		Phase I	Increase/ Decrease (-)	Increase
		MUS$	INR (Crore)	MUS$	INR (Crore)	MUS$	INR (Crore)	INR (Crore)	INR (Cr)(6-9)	Percentage
1	2	3	4	5	6	7	8	9	10	11
1a	Corridor upgrading	253.10	1214.88	110.49	530.35	139.29	668.59	715.09	184.74	34.83
b	Civil works for IWT	8.50	40.80	11.82	56.74	………	………	17.06	(-)39.68	(-) 69.93
Total		**261.60**	**1255.68**	**122.31**	**587.09**	**139.29**	**668.59**	**732.15**	**145.06**	**24.71**
2	Road maintenance	58.20	279.36	58.20	279.36	……….	………	615.46*	336.10*	120.31*
3	Road safety engineering program	4.20	20.16	4.20	20.16	……….	………	24.24	4.08	20.24
4	Institutional strengthening	9.50	45.60	9.50	45.60	……….	……….	59.53	13.93	30.55
5	Front End Fee	2.55	12.24	2.55	12.24	……….	………	12.24	……	……
Grand Total		**336.05**	**1613.04**	**196.76**	**944.45**	**139.29**	**668.59**	**1443.62**	**499.17**	**52.85**
Revision as per PMT reply (October 2011)		**314.05**	**1507.44**	**174.76**	**838.85**			**1443.62**	**604.77**	**72.09**

*Expenditure including upgradation work of balance of KSTP IV A package, included in RMC 48 as variation (₹ 3.42 crore).

1. Figure under 1a and 1b includes civil work as provided for in the PAD and contingencies, land acquisition R & R, consultancy, Environmental mitigation etc, were apportioned on the basis of length of road and extend of land.
2. Expenditure in Phase I includes the cost of works on actual and proportionate cost of LA and R & R.
3. US $ @ 48.00 INR

Appendix 2.7
Statement showing payment for General items in up-gradation works
(Reference: Paragraph 2.2.6.4; Page 48)

(₹in crore)

Pay Item		KSTP I		KSTP III		KSTP IV		Total	
		BOQ	Payment made	BOQ	Payment made	BOQ	Payment made	BOQ	Payment made
100-01	Performance security	1.35	1.35	0.68	0.68	2.45	2.45	4.48	4.48
100-02	Insurance of the Works	1.24	1.24	0.84	0.84	0.92	0.92	3.00	3.00
100-03	Insurance of contractors Plant & Machinery	0.48	0.48	0.13	0.13	0.46	0.46	1.07	1.07
100-04	Third party insurance	0.05	0.05	0.007	0.007	0.09	0.09	0.147	0.147
100-05	Defect liability of works for 12 months after completion	0.33	……	1.14	1.14	0.24	…..	1.71	1.14
Total		**3.45**	**3.12**	**2.797**	**2.797**	**4.16**	**3.92**	**10.407**	**9.837**

Appendix 2.8
Details of works having delay of more than six months in issuing of administrative sanctions
(Reference: Paragraph 2.3.3, Page 55)

Sl. No	Legislative Assembly Constituencies	Total number of sanctioned works	Number of works where delay occurred for issuing administrative sanction	Number of works where delay was for more than six months	Cost (₹ in lakh)
	Malappuram District				
1	Ponnani	72	37	19	102.00
2	Mankada	751	599	216	77.89
3	Kondotty	246	151	28	43.25
4	Kuttipuram	489	435	164	71.44
	Kottayam District				
1	Kottayam	136	91	17	50.26
2	Vazhoor	281	146	63	83.17
3	Changanassery	246	188	89	133.55
4	Kaduthuruthi	236	143	50	92.95
	Kollam District				
1	Kollam	119	6	14	87.50
2	Chathannur	184	95	13	33.72
3	Kottarakkara	163	35	1	30.00
4	Karunagappally	130	127	19	54.50
	Thiruvananthapuram District				
1	Thiruvananthapuram North	112	59	3	16.35
2	Kazhakkuttom	91	12	-	-
3	Kilimanoor	76	4	-	-
4	Nedumangad	49	7	3	21.50
	Total	**3381**	**2135**	**699**	**898.08**

Appendix 2.9
List of works not permissible under the special development fund for MLAs
(Reference: Paragraph 2.3.5, Page 57)

1. Office buildings, residential buildings and other buildings relating to Central or State Governments, Departments, Agencies or Organisations.

2. Works belonging to commercial organisations private institutions or co-operative institutions

3. Repairs and maintenance works of any type other than special repairs for restoration/upgradation of any durable assets.

4. Grant and loans.

5. Memorials or memorial buildings.

6. Purchase of inventory or stock of any type.

7. Acquisition of land or any compensation for land acquired.

8. Assets for all individual benefit, except those which are part of approved schemes.

9. Places for religious worship.

Appendix 2.10
Details of prohibited works sanctioned in relaxation of guidelines under the scheme of 'Special Development Fund for MLAs'
(Reference: Paragraph 2.3.6, Page 58)

Sl. No.	Number and Date of Government Order	Name of work	Amount (₹ in lakh)
1	GO (Rt) No 56/08/Fin dt 3.1.08	Pedagogue Park Thondimmel GLPS Thiruvambadi, Kozhikode.	1.00
2	GO (Rt) No 553/08/fin dt 22.1.08	Construction of building for Nagalassery Grama Panchayat, Thrithala, Palakkad	7.00
3	GORt No 897/08/fin dt 1.2.08	Purchase of furniture GUPS, Ayarkulangara	1.00
4	GORt No 1675/08/fin dt 25.2.08	Purchase of equipment to firestation, Kaduthuruthi	0.70
5	GORt No 1724/08/fin dt 26.2.08	Retarring and patch work of six roads in Kaduthuruthi	14.25
6	GORt No 2664/08/fin dt 27.3.08	Construction of doctor's quarters for CHC, Varavoor Chelakkara LAC, Thrissur	4.00
7	GORt No 4066/08/fin dt 29.4.08	Community Hall at Kakkattil in Kunnumel GP, Meppayar, Kozhikode	31.00
8	GORt No 4752/08/fin dt 23.7.08	Purchase of furniture to schools, Pathanapuram	11.22
9	GORt No 4890/08/fin dt 3.6.08	Purchase of 15 steel almirahs for Govt Arts and Science College, Kozhinjamapara, Palakkad	1.58
10	GORt No 6648/08/fin dt 11.8.08	Foot overbridge over Railway line at Kallai, Kozhikode	20.00
11	GORt No 7272/08/fin dt 4.9.08	Development of Kannur Press Club, Azhikode LAC	1.00
12	GORt No 7441/08/fin dt 10.9.08	Retarring and Patchwork in 10 roads of Kaduthuruthy	29.50
13	GORt No 7663/08/fin dt 22.9.08 GORt No 8877/08/fin dt 11.11.08	Providing A.C for District Hospital, Kottayam Payment of arrears of electricity charges to drinking water scheme, Eruthempathy	0.25 1.92
14	GORt No 10232/08/fin dt 27.12.08	Construction of Sports Complex, Kannur-Munduyad, Kannur LAC-₹ 35 lakh, Other- ₹ 90 lakh, Total- ₹ 125 lakh	125.00
15	GORt No 10246/08/fin dt 29.12.08	Construction of monument Perumon accident. Building Chepurambu Naik Biju Kargil, Irikkur	2.00
16	GORt No 245/09/fin dt 9.1.09	Construction of Wall Venmani Krishi Bhavan Alappuzha	2.00
17	GORt No 566/09/fin dt 23.1.09	Expansion of School ground UPS, Alappuram	1.00
18	GORt No 1035/08/fin dt 3.1.08	Pedagogue Park GM UP School, Kozhikode	1.00
19	GORt No 1309/08/fin dt 25.2.09	Providing gas stoves to schools, Kodungallur LAC,Thrissur	39.94
20	GORt No 8396/09/fin dt 12.8.09	Providing new stroke management system Medical College, Kozhikode	5.00
21	GORt No 3887/09/fin dt 28.5.09	Toilet facilities St.Josephs LPS (aided), Palakkad	1.50
22	GORt No 4901/09/fin dt 17.7.09	Construction of Garage to KSRTC Depot, Adoor	30.00
23	GORt No 4156/09/fin dt 9.6.09	Railway Footoverbridge, Uduma,Kasaragod	11.95
24	GORt No 4896/09/fin dt 17.7.09	Firestation building Nadapuram Building for Bamboo Corporation	10.00 6.50
25	GORt No 5467/09/fin dt 11.8.09	Construction of Boat Shelter in Ranni	2.00
26	GORt No 5945/09/fin dt 28.8.09	Pedagogue Park Madhu bandhu Vidyalayam LPS Kozhikode	0.50
27	GORt No 6963/09/fin dt 15.10.09	Digital Library NSS College, Ottappalam	7.00
28	GORt No 7735/09/fin dt 16.11.09	Infrastructure (Playground) Technical High School, Pattambi	3.00
29.	GO (Rt) No. 6370/10/Fin dt. 19.8.2010	Construction of building for Vellanad and Karuppur Milk Marketing Societies	19.50
	Total		**392.31**

Appendix 2.11
Details of inspection of auto-rickshaw fare meters
(Reference: Paragraph 2.4.3, Page 63)

Year	Thiruvananthapuram			Kozhikode			Thrissur		
	Total number of auto rick-shaws	Number of meters inspected	Perce-ntage	Total number of auto rick-shaws	Number of meters inspected	Perce-ntage	Total number of auto rick-shaws	Number of meters inspected	Perce-ntage
2007	40987	7733	18.86	45833	5057	11.03	47908	2875	6.00
2008	44236	9947	22.48	49655	4403	8.87	64249	3483	5.42
2009	51439	13888	26.99	54870	4282	7.80	67529	3268	4.84
2010	55391	16512	29.80	59609	4468	7.50	74421	4476	6.01

Appendix 2.12
Details of Inspections conducted
(Reference: Paragraph 2.4.4.1, Page 63)

Year	No. of Re-verifications done	No. of Inspections conducted	Percentage
2006-07	304564	59304	19.47
2007-08	247026	60909	24.66
2008-09	294627	80522	27.33
2009-10	240181	55007	22.90
2010-11	300675	51890	17.26

Appendix 2.13
Details of violations detected
(Reference: Paragraph 2.4.4.1, Page 63)

Year	Number of inspections	Number of violations	Percentage of violations
2006-07	59304	6935	11.69
2007-08	60909	13761	22.59
2008-09	80522	24824	30.83
2009-10	55007	15209	27.65
2010-11	51890	12020	23.16

Appendix 2.14
Inspections by Assistant Controller (Flying squad)
(Reference: Paragraph 2.4.4.1, Page 64)

Year	Thiruvananthapuram			Thrissur			Kozhikode			Kannur		
	Number of units re-verified	Number of inspections by FS	Percentage of inspections	Number of units re-verified	Number of inspections by FS	Percentage of inspections	Number of units re-verified	Number of inspections by FS	Percentage of inspections	Number of units re-verified	Number of inspections by FS	Percentage of inspections
2006-07	23837	254	1.07	29358	186	0.63	42044	578	1.37	39368	662	1.68
2007-08	16868	324	1.92	29096	633	2.18	28275	667	2.35	39713	707	1.78
2008-09	23855	302	1.27	101643	923	0.91	39141	485	1.23	34002	426	1.25
2009-10	21116	353	1.67	50623	596	1.17	29900	484	1.61	22829	303	1.33
2010-11	16529	329	1.99	94479	856	0.91	40605	674	1.65	33249	315	0.95

Appendix 2.15
Inspections of Net Content verification
(Reference: Paragraph 2.4.4.2, Page 64)

Year	No. of inspections to be conducted each year	Inspections conducted	Shortfall (Percentage)
2008-09	180	85	52.78
2009-10	180	70	61.12
2010-11	180	49	72.78

Appendix 2.16
Inspections of petrol pumps
(Reference: Paragraph 2.4.4.2, Page 65)

Year	Kozhikode			Kannur			Thrissur		
	To be verified in a year (@ 20 per month)	Verified in a year	Percent-age	To be verified in a year (@ 20 per month)	Verified in a year	Percent-age	To be verified in a year (@ 20 per month)	Verified in a year	Percent-age
2006-07	240	Nil	Nil	240	141	58.75	240	47	19.58
2007-08	240	Nil	Nil	240	99	41.25	240	55	22.91
2008-09	240	Nil	Nil	240	27	11.25	240	31	12.91
2009-10	240	28	11.66	240	21	8.75	240	50	20.83
2010-11	240	63	26.25	240	31	12.91	240	97	40.41

Appendix 2.17
Details of disciplinary cases pending settlement
(Reference: Paragraph 2.4.7.3, Page 67)

Sl. No	File No.	Name and Designation	Subject
1	S1-3323/09	P.M.Nazeer, Former Assistant Controller	Discrepancies in respect of stamping of weights and measures equipments
2	S1-6582/08	Anil.X (Former Controller)	Discrepancy in issuing licence
		P.Baburaj, Deputy Controller	
		E.Latheef, Former Administrative Officer	
3	Sl-6763/09	C.Shamon, Inspector	Discrepancy in re-verification camp
4	S1-95/10	T.K.Mohandas, Senior Inspector	Irregularity in the Petrol Pump
5	S1-1902/10	Sudheer Raj, Inspector	Discrepancy in re-verification camp
		Sree Murali, Inspector	
6	S1-8892/02	Babu Raj, Deputy Controller	MRG Enterprises – Judgement against the department
7	S1-1555/03	Babu Raj, Deputy Controller	Koduvayoor Petroleum Agency - Action has not been taken in time in respect of the cases detected.
8	S1-8628/04	Babu Raj, Deputy Controller	Discrepancies in issuing licence to Rejikumar
9	S1-821/04	Babu Raj, Deputy Controller	Action has not been taken in respect of the cases detected.
10	S1-2593/05	Ratheeshkumar, Sepoy	Unauthorised absence
11	S1-1081/07	Reena Gopal C.V.Babu Saileshkumar Pushkaran	Descrepancies in connection with tanker calibration
12	S1-8855/06	P.T.Sreekanth, Inspector	Unauthorised absence from duty and non-keeping of office records
13	S1-3510/07	S.Parasuraman, Senior Inspector (Retd) K.A.Mohanan, Asst.Controller (Retd) M.K.Gangadharan, Deputy Controller (Retd)	Discrepancies in settlement of cases
14	S1-2233/08	Saileshkumar, Assistant Controller	Deficiency in the cases registered
15	S1-4876/08	K.Vijayakumar, Assistant Controller S.Jaya, Inspector	Non- conducting of inspections in time
16	S1-1161/09	Roy Felix, Assistant Controller	Filing of case in the court before taking a decision for appeal
17	S1-2723/09	John Mathai, Assistant Controller	Lapse in the official duty
18	S1-8742/06	P.Baburaj, Deputy Controller	Petition relating to mental torturing of Smt.Reena Gopal, Asst.Controller
19	S1-3133/09	Latheef	Lapse in the official duty
20	S1-4396/09	E.Latheef, Former Administrative Officer	Missing files and action not taken
21	S1-5689/09	P.Baburaj, Deputy Controller E.Latheef, Former Administrative Officer	Not registering the Tapals
22	S1-2885/10	P.Baburaj, Deputy Controller	Could not contact over telephone

Sl. No	File No.	Name and Designation	Subject
23	2951/10	S.Sunilkumar, U.D Clerk	Timely action not taken in the files
24	S1-4039/10	Venu.K.Mani, Inspecting Assistant	Petition regarding collection of money from commercial establishments
25	S1-5032/10	A.S.Rajesh, Fulltime Watcher	Dereliction from official duty
26	S1-7315/10	V.M.Rajeshkumar, Sepoy	Misuse of telephone and misbehavior
27	S1-9143/10	T.J.Joshi, Inspector D.Sathishkumar, Inspecting Assistant	Discrepancies in re-checking camp
28	S1-8935/06	N.K.Gangadharan, Deputy Controller (Retd.)	Discrepancies in settlement of cases
29	S1-8710/10	Kozhikode Assistant Controller Office	Complaint about the office
30	S1-803/11	Sudhakaran, Sepoy	Disobeying senior officer
31	S1-803/11	Driver, Kollam Office	Complaint against the driver
32	S1-7642/10	1. B.S.Ajith Kumar, Senior Inspector 2. P .B.Santhosh, Sepoy	Vigilance Report