

## CHAPTER II 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.

### 2.1 *Misappropriation/fraudulent drawal*

#### HEALTH AND FAMILY WELFARE DEPARTMENT

##### 2.1.1 Misappropriation of Hospital Development Committee funds

**Lack of proper supervisory checks by the concerned officers led to misappropriation of Rs 6.33 lakh from Hospital Development Committee funds.**

Government constituted (January 1983) Hospital Development Committees (HDC) to ensure constant vigil on the working of the medical institutions in the State. One of the functions of the HDCs was to run voluntary blood banks in the hospitals. The HDCs were required to keep proper accounts of the fees collected for the services rendered so as to utilize the amounts for various developmental activities instead of remitting them to the Government Account. The charges fixed for blood supply were Rs 250 per bag for in-patients in general wards and Rs 500 per bag for pay ward/private patients. There were no charges for poor patients.

A test check of the records of the blood bank run by the HDC of the Women and Children Hospital, Thiruvananthapuram for the period January 2006 to March 2009 revealed the following shortcomings:

- In 1275 cases, the amounts of fees credited to the concerned account were different from the amounts shown in the receipts. Against the actual collections of Rs 250 and Rs 500 per bag, the amounts credited to the account were only Rs 10 or Rs 250 per bag respectively, resulting in short accounting of Rs 4.12 lakh.
- In the blood issue register, the same receipt numbers were noted against more than one case. Thirty-nine such receipts were recorded against 130 cases, resulting in non-accounting of Rs 0.28 lakh relating to the remaining 91 cases.
- In 86 cases (involving Rs 0.27 lakh), though the fees for issue of blood bags were shown as collected in the blood issue register, they were not shown as receipts in the accounts.
- There were several mistakes in the cash book, e.g. totalling of receipts on the lower side and payments on the higher side; non-carrying forward of the closing balance of a day to the next day; opening balance of a particular day being less than the closing balance of the previous day, etc. resulting in misappropriation of Rs 1.66 lakh.

Thus the total amount defalcated in the Women and Children Hospital, Thiruvananthapuram was Rs 6.33 lakh.

In addition, counterfoils of 22 used receipt books were missing and 424 receipts had been tampered with and their counterfoils had been torn off. These receipt books could, therefore, not be verified by Audit.

The Superintendent of the hospital as head of the institution should have exercised necessary supervisory control over the functioning of HDC. Failure of the HDC to maintain proper accounts and the absence of proper supervisory checks by the officers concerned resulted in misappropriation of Rs 6.33 lakh. On this being pointed out in audit, the Superintendent confirmed (May 2009) the misappropriation of Rs 6.33 lakh.

Government stated (October 2009) that the Blood Bank Technician and the Upper Division Clerk had been suspended and two Medical Officers had been transferred. Government also directed the Director of Health Services to initiate disciplinary proceedings against the Blood Bank Technician and the Upper Division Clerk and to take steps to recover the misappropriated amount from those responsible for the misappropriation.

#### LOCAL SELF GOVERNMENT DEPARTMENT

##### 2.1.2 Fraudulent claims

Failure on the part of officials to check fraudulent claims submitted by a Mahila Pradhan Kshetriya Bachat Yojana agent resulted in overpayment of incentive allowance and bonus amounting to Rs 5.71 lakh.

Mahila Pradhan Kshetriya Bachat Yojana agents were appointed by the State Government for encouraging deposits under the National Savings Scheme. Each agent was attached to a post office and the job assigned to these agents was to enrol new depositors, collect regular monthly deposits and remit the same to the respective accounts in post offices. The agents were given a monthly incentive allowance based on the amounts collected and deposited in the post offices and an annual incentive bonus based on the total collections in a year. The rates of monthly incentive allowance were as below:

Collection	Incentive
Up to Rs 1000	Nil
Above Rs 1000 but less than Rs 5000	at the rate of Rs 25 for every 1000
Rs 5000	Rs 150
Above Rs 5000 but less than Rs 10000	Rs 150 + at the rate of Rs 30 for every 1000 above 5000
Rs 10000	Rs 300
Above Rs 10000	Rs 300 + at the rate of Rs 40 for every Rs 1000 above Rs 10000

The annual incentive bonus was at the rate of 1.25 per cent of the annual collection.

According to the procedure in vogue in the department, the agents were to submit the claims at the end of every month in the prescribed form, supported by statements of deposits issued by the Postmasters of the concerned post offices in Form No. ASLAAS. Scrutiny (April 2009) of records at the Block Development Office (BDO), Chittur, Palakkad district, revealed that the number of deposit schedules mentioned in the abstract of monthly claims for September 2008 submitted by an agent for payment of the incentive was 34 whereas the actual number of schedules enclosed with the claim was only 19. A detailed verification of the statements of deposits made by the agent for the period from January 1999 to December 2008, furnished by the postal authorities, showed that incentives were not paid based on the actual deposits made by the agent in the post office in almost all the months. Overpayment of monthly incentive allowance and annual incentive bonus during the period January 1999 to September 2008 based on fraudulent claims submitted by the agent was Rs 5.71 lakh.

The General Extension Officer (GEO) of the BDO was to verify claims submitted by agents and certify their accuracy. Based on these certificates, the BDO was to pass the claims for payment. It was revealed during audit that lack of proper check and verification by the control centres, viz., section clerk, the concerned GEO and the BDO, was the reason for overpayment. It was also seen that there was no system to verify the claims submitted by the agents with the post offices periodically to guard against bogus and inflated claims.

**Audit unearthed this fraud.**

The BDO, Chittur admitted (May 2009) that there was lack of proper control on the part of the section clerk, GEO and BDO. The agent had wilfully lodged bogus excess claims and the BDO's office had honoured such claims in toto, without proper scrutiny.

The Finance Department of Government admitted (July 2009) that a mere physical verification of the number of schedules could have detected this malpractice. However, the GEO or BDO had not conducted any such verification, which resulted in the fraudulent practice being continued from 1998 to 2008. Government added that Rs 1.60 lakh (out of Rs 5.71 lakh) had been recovered from the agent, necessary steps would be taken to recover the balance amount from the agent and the concerned officers and preventive steps would be taken to avoid such incidents in future.

**2.2 Violation of contractual obligations, undue favour to contractors, avoidable expenditure**

**FISHERIES AND PORTS DEPARTMENT**

**2.2.1 Non-recovery of amount paid at enhanced rate to a contractor**

**Non-completion of work as envisaged in an agreement resulted in payment of Rs 50.97 lakh at enhanced rates to a contractor for construction of a fishery harbour at Ponnani.**

The Superintending Engineer (SE), Harbour Engineering (North Circle), Kozhikode awarded (April 2002) the work of construction of a fishery harbour project at Ponnani to a contractor at a contract amount of Rs 7.38 crore (20.05 *per cent* below the estimate based on the 1999 Schedule of Rates) with the scheduled date of completion as 18 December 2003, which was extended to 18 October 2004 by the SE after imposing a penalty of Rs 0.45 lakh. The contractor did not complete the work and approached (October 2004) the Government for revision of rates and re-scheduling of the work. While the petition was under consideration of the Government, the contractor filed a writ petition in the High Court for revision of rates. Based on the judgment of the High Court in December 2004 directing the Government to dispose of the petition in accordance with law, Government constituted (June 2005) a Technical Committee to evaluate the contractor's representation after considering its technical and financial aspects.

Based on the recommendations of the Technical Committee, Government ordered (May 2006) revision of the rates with 10 *per cent* increase over the 2004 Schedule of Rates for work done after 1 December 2004. As per the order, the contractor was to complete the work within a period of nine months from the date of execution of the fresh agreement. Accordingly, a supplementary agreement was executed on 30 June 2006 with the firm for Rs 10.79 crore to complete the balance work by 30 March 2007 and a month-wise target of works was also drawn up as part of the agreement. The contractor again could not complete the work within the stipulated time as per the supplementary agreement and stopped work from March 2007. Subsequently, Government terminated (April 2008) the contract and ordered the balance work to be rearranged at the risk and cost of the contractor. The SE rearranged (December 2008) the balance work at a contract amount of Rs 6.77 crore and the work was in progress (June 2009). Meanwhile, the earlier contractor was paid Rs 1.91 crore between February and June 2007 based on the supplementary agreement for the completed portion of the work. The above payment included Rs 50.97 lakh at enhanced rates though the contractor did not complete the work by March 2007 as stipulated in that agreement. This constituted an unauthorized aid to the contractor.

Government stated (May 2009) that action was being taken to recover the losses on account of re-arrangement of the work. The SE assessed (June 2009) the risk and cost liability to be recovered from the contractor firm consequent on rearrangement of work as Rs 4.34 crore (including Rs 50.97 lakh paid towards enhancement of rates). The Executive Engineer stated (July 2009)

that the District Collector, Malappuram had been addressed to initiate revenue recovery action to realise the amount.

## **HEALTH AND FAMILY WELFARE DEPARTMENT**

### **2.2.2 Avoidable payment of surcharge and penal interest on water and electricity charges**

#### **Insufficient provision in the budget and non-replacement of faulty water meters in time resulted in avoidable payment of Rs 32.99 crore as surcharge and penal interest.**

According to clause (b) under Regulation 14 of the Kerala Water Authority (Water Supply) Regulations 1991, bills for consumption of water charges are required to be paid in full within the due dates. In cases of failure, two *per cent* surcharge is leviable per month for the period of default. Also, as per clause (e) under Regulation 12, surcharges of 25 *per cent*, 50 *per cent* and 100 *per cent* of average consumption charges for the initial two months, next two months and for the period thereafter respectively, was leviable in cases where consumers have not replaced faulty meters. The Public Accounts Committee in its 91<sup>st</sup> Report presented to the Legislature in December 2000, had recommended that sufficient funds should be provided in the budget to meet water and electricity charges.

It was noticed in audit that in spite of specific recommendations by the Public Accounts Committee, the State Government failed to provide sufficient funds in the budget for payment of water and electricity charges, which resulted in payment of fines/surcharge/penal interest on belated payment of these charges as detailed below:

**Case 1:** Out of Rs 60.50 crore paid to the Kerala Water Authority by three Government medical colleges at Kottayam, Kozhikode and Thiruvananthapuram during the period from April 2005 to January 2009, Rs 24.40 crore was towards fines for delayed payment of water charges and surcharge for water consumed through faulty meters. Lack of sufficient funds in the budget was the reason attributed for the delayed payment.

**Case 2:** The District Hospital, Palakkad had five<sup>73</sup> water connections. The water charges due for the period April 1990 to October 2009 in respect of these connections were Rs 5.15 crore (including Rs 3.48 crore towards fines). During January 2000 to October 2009, the hospital paid Rs 3.83 crore to the Kerala Water Authority (KWA) towards water charges for the five water connections, which included Rs 2.64 crore towards surcharge (fines) for belated payment. After the above payment, a net amount of Rs 1.32 crore was due as of October 2009 to KWA towards water charges, including fines totalling Rs 84 lakh.

<sup>73</sup> Consumer Nos. 6778, 8177, 11040 (from 1990), 20383 (from January 2004) and 22091 (from July 2005).

The Lay Secretary and Treasurer<sup>74</sup>, District Hospital, Palakkad admitted (February 2009) that sufficient funds were not received in time for payment of water charges and hence fines for belated payment had to be paid.

**Case 3:** Rupees 5.95 crore was incurred towards penal interest on belated payment of electricity charges to Kerala State Electricity Board by the following institutions:

**Table No.2.1: Details of penal interest paid**

Name of institution	(Rs in crore)			
	2006-07	2007-08	2008-09	Total
Medical College, Kozhikode	0.05	...	...	0.05
Medical College Hospital, Kozhikode (Low Tension)	1.15	0.05	0.01	1.21
Medical College Hospital, Kozhikode (High Tension)	0.16	0.15	...	0.31
Dental College, Kozhikode	0.05	0.05	...	0.10
Medical College Hospital, Thiruvananthapuram	2.41	0.04	1.02	3.47
Medical College, Thiruvananthapuram	0.20	0.01	...	0.21
Sree Avittam Thirunal Hospital, Thiruvananthapuram	0.06	0.53	0.01	0.60
<b>Total</b>	<b>4.08</b>	<b>0.83</b>	<b>1.04</b>	<b>5.95</b>

Source: Details collected from the institutions

The Director of Medical Education stated (June 2009) that belated remittances were due to lack of sufficient funds in the budget during 2006-07 and 2007-08.

Thus, belated payment of water/electricity charges due to insufficient provision in the budget and non-replacement of faulty meters in time led to the avoidable payment of Rs 32.99 crore towards fines, surcharges and penal interest.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

## **PUBLIC WORKS DEPARTMENT**

### **2.2.3 Non-adjustment of security towards risk and cost liability from contractors**

#### **Failure of the department to obtain valid bank guarantees totalling Rs 38.32 lakh from contractors as security resulted in non-adjustment of the amount at the time of termination of works.**

As per paragraphs 15.9.2 and 15.9.6 of the Kerala Public Works Department Manual, a contractor has to deposit the required security in the prescribed form before execution of an agreement. Agreement conditions also stipulate that the contractor should furnish to the department, security for works contracted in the form of bank guarantees or any other acceptable form of security. Deviations from these conditions were noticed in the following two cases:

- (i) The Superintending Engineer (SE), National Highways, South Circle, Thiruvananthapuram awarded (May 2004) the work of 'Improvement to accident prone area/location in the ghat section between km 68/00 to 81/250 in the NH 208' in Kollam District to a contractor. The contractor was required

<sup>74</sup> The Lay Secretary and Treasurer is the administrative head and also the drawing and disbursing officer of the hospital.

to furnish security of Rs 18.79 lakh<sup>75</sup> in the form of a bank guarantee or a certified cheque/demand draft at the time of execution of the agreement. The SE accepted (May 2004) a claim of Rs 20 lakh, pending settlement, in another work executed by the same contractor in a different NH Division (Thiruvananthapuram) under the same SE as security deposit and performance guarantee for the said work. However, Audit found that the said claim had already been settled in April 2004 before signing of the agreement. This led to execution of the agreement without valid security. As the work was not completed within the scheduled date of completion, i.e., 30 October 2006, the SE terminated (April 2008) the work at the risk and cost of the contractor. The work had not been rearranged so far (June 2009).

(ii) The SE, Buildings and Local Works, South Circle, Thiruvananthapuram awarded (December 2000) the construction of ‘Vikas Bhavan – Additional block C’ to a contractor at a cost of Rs 1.95 crore. At the time of award of the work, the contractor was to submit a bank guarantee of Rs 19.53 lakh as security deposit. However, the agreement for the work was executed after obtaining an undertaking from the contractor that a bank guarantee would be produced as and when called for. The bank guarantee was not insisted upon when part payment was made to the contractor in April 2003. Instead, the contractor was directed to produce the same before the next payment. However, the contractor did not produce any bank guarantee. As the contractor did not complete the work within the scheduled date of completion i.e., 7 December 2005, the SE terminated (November 2007) the work at the risk and cost of the contractor.

Failure of the department to insist on the two bank guarantee totalling Rs 38.32 lakh in the above two cases towards security for the works resulted in execution of the agreements without valid security. As a result, when the works were terminated, the security amount could not be realised.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

#### **2.2.4 Payment to a contractor beyond the scope of the contract**

**Revision of rates to include provision for formwork<sup>76</sup> and payment made for concrete to support the formwork, which was beyond the scope of the contract, resulted in undue benefit of Rs 35.39 lakh to a contractor.**

The Superintending Engineer, Roads and Bridges, North Circle, Kozhikode awarded (December 2005) the work of construction of the Ollassery-Palayangad Road, including a bridge at Palayangad across Chitturpuzha in Palakkad district to a contractor at a contract amount of Rs 3.60 crore, which was 24.60 *per cent* over the estimate. The work was completed (June 2008) at a cost of Rs 5.55 crore. As per an agreement condition, the rates quoted by the contractor were to incorporate all operations contemplated in the specifications and tender schedules as well as all incidental works necessary for such operations like shoring, bailing, formwork, scaffolding, etc. The formwork was to be absolutely rigid, preferably of steel, so as to ensure

<sup>75</sup> Rs 10.32 lakh as security deposit and Rs 8.47 lakh as performance guarantee.

<sup>76</sup> A temporary steel or wooden platform to cast a concrete structure.

casting of a structure of perfection. The agreement with the contractor included the following items for cement concrete.

Item no.11:- Vibrated Reinforced Cement Concrete (VRCC) in a design mix of M 25 for moulding girders, cantilever slabs, cross beams, kerbs, etc., including labour charges for mixing, laying, formwork, watering etc., at the rate of Rs 49 per 10 decimetre cube(dm<sup>3</sup>).

Item no:12:- VRCC in a design mix of M 25 for deck slab at the rate of Rs 89 per 10 dm<sup>3</sup>.

Audit scrutiny revealed the following:

During execution, items 11 and 12 were shown as clubbed and an extra provision was made for multi-stage formwork<sup>77</sup> using additional teak poles for extra support, to withstand the flow of water through the river and the rate of VRCC was revised to Rs 96.13 per 10 dm<sup>3</sup>.

Analysis of rates of both original items 11 and 12 and those of the revised item are given below:

**Table 2.2: Analysis of rates**

Component	Item No.11	Item No.12	Revised item
Concreting	Rs 30.51 per 10 dm <sup>3</sup>	Rs 30.51 per 10 dm <sup>3</sup>	Rs 30.51 per 10 dm <sup>3</sup>
Form work	Rs 18.49 per 10 dm <sup>3</sup>	Rs 58.49 per 10 dm <sup>3</sup>	Rs 65.62 per 10 dm <sup>3</sup>
<b>Total</b>	<b>Rs 49 per 10 dm<sup>3</sup></b>	<b>Rs 89 per 10 dm<sup>3</sup></b>	<b>Rs 96.13 per 10 dm<sup>3</sup></b>

Source: Data sheet approved by the Chief Engineer

As seen from the above table, the rate was changed because of providing the extra rate for formwork. When compared to the rate provided for formwork in the original items 11 and 12, the rate per 10 dm<sup>3</sup> was increased by Rs 47.13 and Rs 7.13 respectively. As the rate quoted by the contractor was inclusive of the cost of formwork, the contractor was not entitled for any extra payment for the multi-stage formwork, if provided by him. The extra expenditure on this account based on the executed quantity of 8,19,332 dm<sup>3</sup> worked out to Rs 29.03 lakh as shown in Item I in **Appendix IV**.

Concreting of a river bed to place wooden poles for supporting the formwork was executed for a quantity of 1,82,470 dm<sup>3</sup> at Rs 28 per 10 dm<sup>3</sup>. As the river bed concreting was a part of formwork, the item should not have been measured and paid as the contractor had to provide such concreting works as per the contract condition. The extra expenditure on this account was Rs 6.36 lakh as shown in Item II of **Appendix IV**.

Thus, the unwarranted revision of rates and separate payment for river bed concreting to support the formwork, already included among the contractor's obligations, resulted in extra expenditure of Rs 35.39<sup>78</sup> lakh. Thus, the revision was against the contract conditions and resulted in undue benefit of Rs 35.39 lakh to the contractor.

<sup>77</sup> Multi-stage formwork is providing an intermediary platform to provide further support to the top stage of platform where the concrete is cast.

<sup>78</sup> Extra expenditure due to revision of rate consequent on clubbing item nos. 11 and 12: Rs 29.03 lakh and that due to execution of riverbed concreting works for centering: Rs 6.36 lakh.

The Chief Engineer, Roads and Bridges, Thiruvananthapuram stated (May 2009) that items 11 and 12 were clubbed to change the mix of M 20 specified in item 12 to a design mix of M 25 and as part of the revision, the data of formwork was also revised. Government endorsed (July 2009) the views of the CE in this matter. The reply is contrary to the stand taken earlier by the department that the rate was revised for providing multi-stage formwork and also not in conformity with the facts as the mix provided for originally against item 12 was the M 25 mix itself and the rate for the concrete mix was also the same. It is obvious that the change in the rate was made to extend undue benefit to the contractor by increasing the rate of formwork.

#### **2.2.5 Avoidable expenditure on award of work before acquisition of land**

##### **Government incurred avoidable expenditure of Rs 2.99 crore on arbitration due to delay in handing over land for a road work undertaken by the Kerala State Transport Project with World Bank assistance.**

The Secretary, Public Works Department (Project Director), concluded (November 2002) a contract for upgradation of the Angamali-Muvattupuzha road and the Muvattupuzha-Thodupuzha road under the World Bank aided Kerala State Transport Project at a cost of Rs 92.89 crore. A World Bank stipulation and Para 15.2.2 of the Kerala Public Works Department Manual did not permit the award of work prior to possession of land. However, the work was awarded without taking possession of the required extent of land. According to the contract conditions, the land was to be handed over by October 2003 but the entire land was handed over only by June 2006. The work was completed by January 2007 at a cost of Rs 112.78 crore.

Non-handing over of the site in time resulted in a dispute with the contractor which was referred to an arbitrator. The arbitrator awarded (October 2007) Rs 2.86 crore and interest thereon to the contractor. The Project Director paid (October 2007) Rs 2.99 crore (including interest) towards the award.

Government replied (July 2009) that arbitration was a process for settlement of dispute and was a part of the project agreement and could not be considered to be a loss to Government. However, the fact remains that Government had not handed over the land in time which resulted in the arbitration award.

#### **2.2.6 Undue benefit to a contractor due to change in specification of concrete mix**

##### **Instead of reducing the rates for pile construction as a result of change in specification of the concrete mix from M35 to M25, the rates were revised upwards, disregarding the contract conditions, which led to undue benefit of Rs 1.11 crore to a contractor.**

The Chief Engineer (CE), Roads and Bridges, Thiruvananthapuram issued (March 2005) technical sanction for Rs 7.25 crore for the work of 'Construction of Mitramadom Bridge across Pamba River' in Chengannur-Mannar road. Accordingly, the Superintending Engineer, Roads and Bridges, South Circle, Thiruvananthapuram awarded (May 2005) the work to a

contractor at a contract amount of Rs 7.87 crore (14.04 per cent above the estimate rate).

Reinforced cement concrete piles having a diameter of 1200 mm were proposed for the foundation. The concrete mix proposed for both abutments and piers was M35 grade as per the Ministry of Surface Transport (MOST) specifications and was shown as a separate item in the agreement, for a length of 1980 metre at the rate of Rs 5,553 per metre. An estimated quantity of 2407 quintals of steel at Rs 2,543 per quintal was also included as another item for providing reinforcement for piles. However, in the structural drawing, approved (September 2005) by the Chief Engineer, the design of concrete was revised as M25, a concrete mix with less cement content than M35. This necessitated a change in specification of casting of piles. The Chief Engineer revised (June 2006) the specification to include the changes and also clubbed the item of reinforcement with casting of piles. The revised rates were Rs 11,437 per metre for abutment piles and Rs 9,934 per metre for pier piles.

The Superintending Engineer stated (February 2008) that the revision was made to change the specification according to the specification of MOST. The CE also put forth (July 2009) a similar argument that the rate was arrived at as per MOST specifications for M25 graded mix. However, it was found that there was no specification for pile work using M25 concrete mix under MOST specifications. As per MOST specifications, work of pile foundation was to be carried out with M35 mix. In this case, piles were executed using M25 design mix. There are three distinct items of work in pile work, namely, making of bore holes, providing reinforcement and concreting. The contract conditions provided for the revision of rates by adjusting the cost of only the affected components. As the change was in respect of the concrete only, revision was required in the cost of concreting work. As the cement content in the M25 mix was lesser than in the M35 mix, the revised rate should invariably have been lesser. Instead, the CE approved an increased rate for piling work using M25 mix. The resultant undue benefit is discussed below:

According to the supplemental agreements I (August 2006) and IV (September 2007) piles were provided for a length of 1039.87 metres at Rs 11,437 per metre for abutments and for a length of 1494 metre at Rs 9,934 per metre for piers. The total cost incurred on these items was Rs 3.04 crore, including tender premium.

The original data rate prepared by the executing division for one metre pile was based on the cement content (660 kg per m<sup>3</sup>) in the M35 grade at Rs 5,553. As the specification of concrete mix had been revised as M25, the revised data rate for one metre pile based on the cement content (380 kg per m<sup>3</sup>) in the M25 grade would have to be reduced to Rs 4,403 per metre (Rs 5,553<sup>79</sup> - Rs 1,150<sup>80</sup>). The cost for execution of 2533.87 metre piles based on the above rate excluding reinforcement would work out to Rs 1.12 crore.

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<sup>79</sup> Rate specified in the agreement schedule.

<sup>80</sup> Difference in data rate for one metre pile (volume: 1.131m<sup>3</sup>) due to change in specification of concrete mix from M35 to M25 (660 kg to 380 kg) including contractors profit of 10 per cent = Rs 1017 per m<sup>3</sup> x 1.131 m<sup>3</sup> = Rs 1150.

In addition, the cost of 2222.49<sup>81</sup> quintals of steel for providing reinforcement to the abutment and pier piles at Rs 2,543 per quintal would work out to Rs 0.57 crore. Thus the total expenditure on pile construction including reinforcement would be Rs 1.93 crore<sup>82</sup>, whereas the contractor was paid Rs 3.04 crore. This resulted in extending of undue benefit of Rs 1.11 crore<sup>83</sup> to the contractor.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

## WATER RESOURCES DEPARTMENT

### 2.2.7 Loss on arranging works at excessive rates

#### **Award of 27 canal works of Kuriarkutty Karappara Irrigation Project by the Executive Engineer at higher rates, resulted in loss of Rs 1.03 crore to the Government.**

Based on the original petition filed by beneficiary farmers who surrendered their land for the canal works of the Kuriarkutty Karappara Irrigation Project (KKIP), the High Court ordered (February 2000) the Chief Engineer, Project I, Kozhikode to complete the works of Valiavallampathy Canal within six months. Accordingly, the Chief Engineer, Project I, Kozhikode directed the Superintending Engineer (SE), Siruvani Project Circle, Palakkad and Executive Engineer (EE), KKIP to arrange the works after observing all formalities. In order to comply with the judgment, canal works of 10065 metres (chainage 2010 to 12075 metres) were split into 40 small reaches. Estimates of 27 works were restricted within the financial powers of the EE (Rs 15 lakh) and tendered by him in August 2003 after three and a half years of the High Court order. All the 27 works were awarded (November 2003 to May 2004) at 60 *per cent* above the estimated rates and were to be completed within six months. Out of the 27 works, 25 works were completed and bills for Rs 5.43 crore were paid during March 2006 to January 2008.

A scrutiny of 13 similar works of the same canal which were tendered by the SE during the same period, revealed that 12 works were awarded at rates ranging from 7.51 to 33 *per cent* below the estimate. The remaining work was awarded at a rate which was 23 *per cent* above the estimate. All the works arranged by the SE were completed during January 2005 to September 2006. The offers obtained for the works arranged by SE was competitive when compared to the works arranged by the EE. Even reckoning the highest rate obtained while arranging of the works by the SE, ie., 23 *per cent* above the estimated rate, there was a loss of Rs 1.03 crore to the Government due to splitting of works and awarding of the works at higher rates by the EE.

The EE replied (November 2007) that only two contractors had submitted their rates for each of the 27 works, though 12 to 52 tender forms were sold for each work. The works were to be completed within six months as per the

<sup>81</sup> Calculated based on the length of abutment and pier piles executed (2533.87 metre).

<sup>82</sup> Cost of piles (Rs 1.12 crore) + cost of reinforcement (Rs 0.57 crore) + tender excess of 14.04 *per cent* (Rs 0.24 crore) = Rs 1.93 crore.

<sup>83</sup> Rs 3.04 crore – Rs 1.93 crore.

directions (February 2000) of the High court. However, it was seen in audit that in spite of the High Court's directions, the works had been tendered (August 2003) after a lapse of three and a half years. Hence, no urgency was shown by the department in arranging the works. It was also seen that two out of the 27 works remained incomplete as of October 2009, even after five years of award of the same.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

### **2.3 *Infructuous/unfruitful expenditure and overpayment***

#### **HOME DEPARTMENT**

##### **2.3.1 Unfruitful expenditure on construction of prison blocks**

**Failure of the Prisons Department to provide additional funds in time to the Public Works Department resulted in non-completion of two blocks at the Central Prison, Viyyur, resulting in unfruitful expenditure of Rs 60 lakh.**

The State Government accorded (March 2002) administrative sanction for construction and renovation of A and F Blocks of the Central Prison, Viyyur in Thrissur District at an estimated cost of Rs 70 lakh as part of the scheme 'Modernisation of Prisons' with the objective of accommodating undertrials separately from convicts. Accordingly, the Prisons Department deposited (30 March 2002) Rs 70 lakh with the Public Works Department (PWD) for arranging the work. PWD requested (July 2002) the Prisons Department to obtain a revised administrative sanction for an estimate of Rs 1.35 crore based on the 1999 Schedule of Rates and also to deposit the additional funds required for arranging the work. However, the department did not take any action either to obtain the revised sanction or provide additional funds to PWD. However, the PWD awarded (August 2003) the work to a contractor at an agreed amount of Rs 1.14 crore with the scheduled date of completion as 31 March 2006. The PWD informed (March 2006) the department that the value of the works executed was more than the original deposit and requested for an additional deposit of Rs 43.72 lakh to complete the work. In June 2006, the department approached the Government for a revised administrative sanction and additional funds of Rs 43.72 lakh, which had not been sanctioned by Government as of September 2009. Meanwhile, the contractor stopped the work for want of payment and the PWD terminated (March 2007) the contract. An amount of Rs 60 lakh was paid to the contractor. The unfinished structure was not in usable condition. Thus, the objective of providing additional space for accommodating undertrials and convicts separately remained unfulfilled.

Failure of the department to take timely action to obtain revised sanctions and additional funds resulted in unfruitful expenditure of Rs 60 lakh.

The Additional Director General of Police (Prisons) stated (September 2009) that a revised estimate of Rs 87 lakh based on the current Schedule of Rates had been received from the Executive Engineer, PWD, Buildings Division, Thrissur on 20 July 2009 for completion of the work and action had been

taken to obtain the administrative sanction from the Government for taking up the work with funds from the current year's allotment.

The matter was referred to Government in April 2009. Reply had not been received (October 2009).

## HOUSING DEPARTMENT

### 2.3.2 Unproductive expenditure on a revenue tower

**Due to delays on account of administrative and technical reasons, a revenue tower project started in 1995 by the Kerala State Housing Board could not be completed even after 14 years and Rs 23.29 crore incurred on the project remained unproductive during this period.**

In August 1994, the State Government accorded sanction to the Kerala State Housing Board (Board) for construction of a seven-storied building for a revenue tower in 2.80 acres of land in Ernakulam District at a project cost of Rs 11.98 crore. Institutional finance of Rs 8.95 crore was proposed to be obtained from the Housing and Urban Development Corporation (HUDCO) under a Government guarantee. As the land received from Government was only 0.85 acre (30 per cent), the design and plan of the building was revised to a 14-storied building with a height of 54.80 metres above the Mean Sea Level (MSL). The work was awarded to a contractor in December 1995 for completion by August 1997. Despite several extensions of time, the work could not be completed and the Board revised (November 2000) the project cost to Rs 49.63 crore and extended the time for completion till May 2001. Even after allowing several more extensions of time for completion, the work had not been completed till March 2009. The expenditure incurred on the project up to 31 March 2009 was Rs 21.31 crore. Besides, the Board was also required to meet the interest liability of Rs 1.98 crore on repayment of the HUDCO loan of Rs 5.46 crore<sup>84</sup> from its own resources.

Scrutiny of records revealed the following:

- The Board could not provide sufficient funds for the project during 2001-04.
- The Command Aviation Officer, Southern Naval Command granted (April 1998) a 'No Objection Certificate' for the project, for a height of 46.60 metre above MSL and the Kochi Corporation also issued (August 2000) a building permit, limiting the height at this level. As the roof slab of the twelfth floor was already cast at 46.60 metres, the Board proceeded with the construction of a lift room and a water tank above this, which raised the height of the building to 50.60 metres above MSL. Government stated (July 2009) that the Board proceeded with the construction as it was unavoidable and also on the expectation that the 'No Objection Certificate' for the additional height would be obtained in due course.

<sup>84</sup> Only Rs 5.46 crore was obtained as loan from HUDCO though the proposal was for Rs 8.95 crore.

- The delay in completion was due to delays in sanctioning the revised estimate by the Government, changes in the number of floors, inclusion of extra items during execution, etc.

Thus due to delay in getting the revised sanction from the Government, execution of extra items, inadequate resources, violation of height restrictions imposed by Southern Naval Command, etc., the revenue tower project, started in 1995 by the Board could not be completed even after 14 years and Rs 23.29 crore<sup>85</sup> incurred on the project remained unproductive.

Government stated (July 2009) that the delay was due to certain unanticipated administrative and technical reasons and severe financial crisis faced by the Board. Government also added that the Kochi Corporation had granted an occupancy certificate on 31 March 2009 up to the eleventh floor and action had been taken by the Board to lease/rent out the space, except for the last floor. The fact, however, remained that the Board failed to plan and implement the project as per the project report, which resulted in non-completion of the project for 14 years and the expenditure of Rs 23.29 crore remaining unproductive during this period.

## **POWER DEPARTMENT**

### **2.3.3 Overpayment due to irregular fixation of pay**

#### **Additional payment of Rs 22.88 lakh was made to 16 contract employees of Agency for Non-Conventional Energy and Rural Technology up to March 2009, disregarding the provisions of pay revision orders.**

Government extended (December 2006) the benefits of General Pay Revision granted to State Government employees with effect from 1 July 2004 to the staff of the Agency for Non-Conventional Energy and Rural Technology (ANERT) and ordered that the rules for fixation of pay in the Pay Revision orders should be adhered to scrupulously. As per Annexure III of the orders, contract/provisional employees recruited through the employment exchange who were in service on 30 June 2004 were eligible for the minimum of the revised scale of pay from 1 July 2004 and monetary benefits would be payable to them from 1 April 2005 onwards. Subsequently, the Government clarified (December 2008), following a reference made from ANERT that contract employees on specific scales of pay were not eligible for fitment benefit and weightage and their pay was to be fixed at the minimum of the revised scales of pay.

Scrutiny (March 2009) of the records of ANERT revealed that disregarding the provisions in the pay revision orders of March 2006, ANERT fixed the pay of contract employees in the revised scales allowing fitment benefit<sup>86</sup> and service weightage. This resulted in overpayment of Rs 22.88 lakh on pay and dearness allowance to 16 contract employees up to March 2009. The Director, ANERT stated (June 2009) that the above benefits were given to the contract

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<sup>85</sup> Rs 21.31 crore paid to contractor and Rs 1.98 crore on interest.

<sup>86</sup> Fitment benefit is the amount equal to six *per cent* of basic pay which is added to the existing emoluments for fixation of pay in the revised scales of pay.

staff before receipt of the Government direction (December 2008). Government accepted (July 2009) the audit observation.

## **PUBLIC WORKS DEPARTMENT**

### **2.3.4 Infertuous expenditure on an abandoned portion of a road**

**Frequent accidents in some stretches of the upgraded Angamali-Thodupuzha road from Muvattupuzha to Thodupuzha necessitated straightening of curves, resulting in abandoning of an upgraded portion of the road and infertuous expenditure of Rs 1.36 crore.**

The Angamaly-Thodupuzha road was upgraded based on a design, both geometric and structural, prepared by a foreign consultant. One of the main objectives of the upgradation of the road was reduction in accidents by 30 *per cent*. The work was awarded in November 2002 to a contractor at a contract price of Rs 92.89 crore and it was completed by January 2007, at a cost of Rs 112.78 crore. The design speed of the road was 65 km per hour and according to the Design Project Report of the Kerala State Transport Project, the minimum radius of the horizontal curve was to be 155 metres. However, the radius of curvature provided at chainage 3/700 to 4/200 was only 80 metres.

In the wake of frequent accidents in some of the stretches of the upgraded road, an expert study was conducted and it was found that about 3650 metres (km 3/000 to 4/400 and km 6/920 to 9/170) of the road from Muvattupuzha to Thodupuzha had unscientific alignments requiring improvement. As part of rectification of the same, the alignment was changed to straighten the curve (500 metre) at one spot at chainage 3/700 to 4/200 of the road portion to increase the radius of curvature from 80 metres to 366 metres.

This resulted in abandonment of the road portion originally constructed and proportionate expenditure of Rs 1.36 crore<sup>87</sup> on its construction becoming infertuous.

Government stated (July 2009) that the curve had to be straightened on public demand consequent to the few fatal accidents which occurred due to speeding of vehicles after completion of the road. The reply does not explain why the curvature was not provided initially as per the specification in the Design Project Report. Government further stated that the expenditure could not be considered as infertuous as the old road provided access to a large number of houses at that place and local traffic plied through that road. The reply cannot be accepted as the contention was only an after thought and the road existed prior to upgradation could have been utilised for the said purpose.

<sup>87</sup>  $\frac{\text{Rs } 112.78 \text{ crore} \times 500 \text{ m}}{51.230 \text{ km (length of road)}} + \text{Rs } 0.26 \text{ crore (land acquisition cost)}$ .

## **2.4 Idle investment/blockage of funds**

### **FISHERIES AND PORTS DEPARTMENT**

#### **2.4.1 Non-utilisation of Central funds**

**Failure of the State Government to apprise the Government of India in time about the necessity of modifying the criteria for getting rebates on High Speed Diesel Oil consumed by mechanized fishing vessels resulted in non-utilisation of Central funds of Rs 3.43 crore for the period 2005 to 2009.**

Government of India (GOI) released Rs 4.78 crore in three instalments during 2005-06 towards the Central share of grant-in-aid for 'Fishermen Development Rebate on High Speed Diesel (HSD) Oil' which was one of the components of the Centrally sponsored scheme on 'Development of Marine Fisheries, Infrastructure and Post Harvest Operations', implemented during the Tenth Plan (2002-2007). The rebate was Rs 1.50 per litre of diesel consumed by mechanized fishing vessels below 20 metre length and was to be shared by Central and State Governments in the ratio of 80:20. According to the guidelines of the scheme, only mechanized fishing vessels added to the fleet of vessels before the end of the Ninth Plan (1997-2002) and registered under the concerned Government agencies were eligible for the rebate.

During 2005-06 to 2007-08, only Rs 1.35 crore was utilised by the Fisheries Department towards the rebate. The Director of Fisheries informed (December 2007) the Government that the stipulation in the GOI guidelines that vessels were to be registered before the end of the Ninth Plan (1997-2002) for getting the rebate under the scheme was the reason for not achieving the target.

It was seen in audit that the State Government had stopped registration of vessels from 31 December 1994 onwards to streamline the number of boats to regulate fishing activities and restarted the registration only in May 2007.

The scheme was subsequently extended to the Eleventh Plan period (2007-2012) and allocation of Rs 100 crore was made, but no funds were released by GOI during 2007-09.

Government stated (July 2009) that revision of the guidelines of the scheme had been taken up (September 2008) with GOI to include modified traditional crafts and new boats added to the fleet of vessels up to the Eleventh Plan under the eligibility criteria. Thus, failure to apprise the GOI in time about the necessity of modifying the eligibility criteria for getting the rebate resulted in non-utilisation of Central funds of Rs 3.43 crore for the last four years and consequent denial of benefits to the fishermen.

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**HEALTH AND FAMILY WELFARE DEPARTMENT**
**2.4.2 Idling of a hospital building**

**Owing to non-sanctioning of additional staff by Government, a new hospital building with 80 beds for the Community Health Centre, Perambra constructed in August 2005 at a cost of Rs 95.32 lakh, remained unutilised for the last four years.**

In order to offer better treatment facilities to the people of Perambra Block Panchayat, Kozhikode district and nearby areas, the Block Panchayat, Perambra decided to construct a new building to add 80 beds in place of a dilapidated building having a bed strength of six and to increase the bed strength from 38 to 112. The Block Panchayat sanctioned (July 2001) the construction of a new additional building for the Community Health Centre (CHC), Perambra at a cost of Rupees one crore utilising their Plan Funds and Local Area Development Funds of the concerned Member of Parliament and Member of the Legislative Assembly. Technical sanction was accorded (civil works-November 2001 and electrical works-January 2003) by the District Level Technical Committee (DLTC), Kozhikode for Rs 91.50 lakh, which was subsequently revised (March 2004) to Rs 1.19 crore, including certain extra items. The building was completed in August 2005 at a total cost of Rs 95.32 lakh. Infrastructure facilities such as operation theatre, labour room, furniture, water supply, etc., were also provided.

The District Medical Officer of Health, Kozhikode submitted (October 2001) a proposal to the Director of Health Services (DHS) for enhancement of the bed strength to 112 and another proposal in March 2004 for creation of additional posts of medical and para-medical staff required for the CHC. The DHS forwarded (May 2005) the proposal to the Government and followed it up in June 2006 and May 2008. Government had not yet sanctioned the additional posts and not enhanced the bed strength for in-patients. Therefore, the CHC had to continue to function with the original bed strength.

Government stated (September 2009) that the new building for CHC, Perambra was constructed by the Perambra Block Panchayat utilizing their own funds without consulting the DHS and that the bed strength was not increased and additional posts were not sanctioned due to resource constraints.

The DHS was aware of the fact of construction of the new building as can be seen from the proposals for enhancement sent by the District Medical Officer of Health, Kozhikode to the DHS in October 2001. Moreover, Government had to provide additional staff as the authority to appoint the staff vested with them and the salary was also to be met by them.

Thus, even though an additional building was provided at a cost of Rs 95.32 lakh for the CHC, the intended benefits could not be extended to the poor patients of the area for the period August 2005 to September 2009 due to laxity on the part of Government to sanction additional posts to the CHC.

**LOCAL SELF GOVERNMENT DEPARTMENT**

**2.4.3 Blockage of funds on 'Yuvashree Project'**

**Failure of the Government to modify the 'Yuvashree' project for educated unemployed youth resulted in blocking of Plan funds of Rs 25.86 crore with Kudumbashree.**

Government announced a special employment programme in the State Budget during 2004-05 for providing employment opportunities to educated unemployed youth and designated the State Poverty Eradication Mission (Kudumbashree) to implement the programme. Based on a detailed project report prepared by Kudumbashree, Government accorded (June 2004) administrative sanction to the project known as 'Yuvashree'. The programme was proposed to be completed within nine months by February 2005. The scheme envisaged creation of 50,000 employment opportunities for educated youth in the age group of 18 to 35 years through self-employment by identifying innovative areas to set up micro-enterprises for youths from BPL families, providing handholding and escort services to new generation entrepreneurs, etc., at a total project cost of Rs 146.73 crore. Of the total project cost, Rs 79.23 crore was to be provided by the Government, Rs 52.50 crore was to be financed by banks and Rs 15 crore would be the share of Local Self Governments for creation of infrastructure. The role of Kudumbashree was identification, training and placement of micro-enterprises consultants for identifying potential individuals/group entrepreneurs and providing financial support to identified entrepreneurs by way of backend subsidy for setting up the units.

Government released Rs 28.54 crore during 2004-05 to 2007-08 to Kudumbashree for implementation of the project. Kudumbashree identified 283 micro-enterprise consultants and got them trained during 2004-05, incurring an expenditure of Rs 3.30 lakh. It was seen in audit that as of February 2009, only 742 units were sanctioned subsidy of Rs 2.32 crore, benefiting 2487 members (5 per cent of the target). The total expenditure incurred by Kudumbashree on the project up to 2007-08 was only Rs 2.68 crore (9 per cent), leaving an accumulated balance of Rs 25.86 crore. In reply to an audit observation, Kudumbashree stated (April 2009) that the youth in the age group, not having exhausted the scope for employment in Government/quasi-Government organisations were not ready to take the risk of starting micro-enterprises with bank loans to develop their future. The reply does not explain why no serious attempt was made to find out the exact constraints faced in the implementation of the project and to overcome them by effecting necessary modifications. This resulted in blocking of Plan funds of Rs 25.86 crore with Kudumbashree, defeating the objective of creating employment opportunities for unemployed youth.

Government stated (June 2009) that in view of the poor field response to the 'Yuvashree' scheme, Kudumbashree had proposed reallocation of funds of Rs 13.75 crore to lease land farming. The reply does not explain the reasons for the delay in modifying the scheme, based on the poor response from the

youth which resulted in blocking of Rs 25.86 crore and non-achievement of the objective of fostering economic development by creating jobs.

#### **PERSONNEL AND ADMINISTRATIVE REFORMS DEPARTMENT**

##### **2.4.4 Non-utilisation of grants released for construction of an executive hostel**

###### **Delay in locating a suitable site for construction of an executive hostel resulted in blocking of funds of Rs 1.90 crore for three years.**

As part of an executive training complex under construction at the Institute of Management in Government (IMG) campus at Thiruvananthapuram, IMG proposed (January 2006) the construction of a separate executive hostel at a cost of Rs 1.90 crore for providing accommodation facilities to high level executive trainees. The proposal was to construct the hostel building in the IMG main campus where the seminar hall, lecture hall, library etc., were located.

Government accorded (March 2006) administrative sanction for the construction of the executive hostel and released (March 2006) Rs 1.90 crore to IMG. The amount was kept in the Treasury Public (TP) account of the Director, IMG. The Governing Body of IMG decided (August 2008) to change the site of the hostel building to the Barton Hill campus in view of the congestion of the buildings in the main campus. The concept paper regarding the change of site prepared by the consultant architect was discussed in the Governing Body meeting held on 3 October 2008. Accordingly, the Chief Engineer was requested to prepare a detailed plan and estimates based on this. However, no plan and estimates had been prepared as of March 2009.

Thus even after three years of release of funds to IMG for the construction of the hostel building, the plan and estimates of the building could not be finalized due to the failure of IMG to find a suitable site, which resulted in blocking of Government funds of Rs 1.90 crore in the TP account of the Director, IMG.

Government stated (July 2009) that it was decided to change the site considering the congestion of the buildings in the main campus and that the construction would be started during the current financial year. The reply does not explain why the congestion could not be foreseen at the time of submission of the proposal as also the reasons for the delay of about three years in finding a suitable site since the release of the grant.

#### **PUBLIC WORKS DEPARTMENT**

##### **2.4.5 Idle investment on two bridges**

###### **Failure of the department in taking timely action to acquire land for construction of approach roads for two bridges resulted in investment of Rs 5.42 crore remaining idle.**

According to Paragraph 15.2.2 (d) of the Kerala Public Works Department Manual, tenders are not to be invited before making sure that the land required

is ready for being handed over to the contractor to start the work in time. However, it was noticed during audit that in the following two cases, though bridges were completed, construction of approach roads had not been started/completed as the required land had not been acquired and made available to the contractors.

**Case 1: Kothy – Pallikandy bridge**

The Kothy-Pallikandy bridge was completed during the year 2000-01 at a total cost of Rs 4.21 crore. For construction of the approach road, a length of 1800 metres of land, 1200 metres on the Pallikandy side and 600 metres on the Chakkumkadavu side of the bridge, was required. Government issued an administrative sanction in October 2004 for Rs 3.65 crore and ordered (December 2004) the acquisition of the land by invoking the urgency clause<sup>88</sup>. Out of 806.90 cents of land to be acquired, only 328.76 cents of land had been acquired so far (March 2009). The land acquisition procedure for the balance land was in progress (March 2009). Thus even after five years of the Government's sanction, the required land for the approach road had not been acquired. In the absence of the approach road, the bridge constructed in 2001 at a cost of Rs 4.21 crore could not be used and the expenditure incurred on it remained as an idle investment for the past eight years.

**Case 2: Anayadi bridge across Pallickal river**

The Superintending Engineer, Roads and Bridges, South Circle awarded a work, viz., 'Reconstruction of Anayadi bridge across Pallickal river connecting Sasthamcotta-Thamarakulam road' in August 2004 to a contractor. The bridge was completed by March 2007 at a total cost of Rs 1.21 crore. For construction of the approach road, 19.03 cents of land was required, out of which 5.44 cents of land was Government land and the balance 13.59 cents of land had to be acquired. Government issued a sanction (March 2008) for acquisition of the land invoking the urgency clause. However, the land had not been acquired so far (October 2009) as necessary funds had not been made available. Thus due to delay in acquisition of the land, the bridge completed at a cost of Rs 1.21 crore was idling for the last two years.

Failure of the department in taking timely action to acquire land for the approach roads led to their non-completion and resulted in investment of Rs 5.42 crore on the two bridges remaining idle for the past eight/two years. Besides, the people are deprived of the benefits to be derived from the bridges.

The matter was referred to Government in June 2009. Reply had not been received (October 2009).

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<sup>88</sup> Urgency clause under Section 17(3) of Kerala Land Acquisition Act enables the department to take advance possession of land.

**2.5 Regularity issues and others****FOREST AND WILDLIFE DEPARTMENT****2.5.1 Irregular expenditure on engagement of data entry operators and computer operators**

**Engagement of data entry operators and computer operators by the Forest Department against the directions of Government resulted in irregular expenditure of Rs 33.30 lakh towards wages.**

The State Government directed (January 2007) that the appointment of data entry operators (DEOs) and computer operators (COs) on daily wage basis should henceforth be made only against sanctioned posts. The Principal Chief Conservator of Forests reiterated (March 2008) the Government's instructions and ordered that engaging DEOs and COs in violation of Government instructions would be at the risk and cost of the officers who engaged them. The Chief Conservator of Forests (Administration) and Chief Conservator of Forests (FMIS<sup>89</sup>) reported (May 2009) that there were no sanctioned posts of DEOs and COs in the Forest Department and training had already been given to the staff in computer work.

Audit scrutiny revealed that in 88 offices under the Forest Department, expenditure of Rs 33.30 lakh was incurred towards engagement of DEOs and COs on daily wage basis during February 2007 to March 2009.

The appointment of these DEOs and COs on daily wage basis was against the instructions of both the Government and the Principal Chief Conservator of Forests. Thus, the expenditure of Rs 33.30 lakh incurred on their appointment as of March 2009 was irregular. It was also noticed that the practice was still being continued and no action had been initiated against the erring officers.

The matter was referred to Government (June 2009). Reply had not been received (October 2009).

**GENERAL EDUCATION DEPARTMENT****2.5.2 Irregular expenditure on distribution of workbooks to non-focus group children in violation of SSA guidelines**

**Expenditure of Rs 1.96 crore was incurred under the Sarva Shiksha Abhiyan Scheme for distributing workbooks free of cost to non-focus group children of Classes I to VII against the scheme guidelines.**

The State Level Monitoring Committee of Sarva Shiksha Abhiyan (SSA) approved (March 2008) the printing of a workbook named 'Kanikonna' to be distributed to the students of Classes I to VII before 15 April 2008 for making their vacation more creative and meaningful. The District Project Offices of SSA were allowed to arrange the printing work themselves. The printing work was done through printing presses under the co-operative sector and

<sup>89</sup> Forest Management Information System.

Government autonomous bodies like the Kerala State Audio-Visual and Reprographic Centre, Thiruvananthapuram and the Kerala Books and Publications Society, Kakkanad, Ernakulam.

As per the guidelines, workbooks can be provided to only focus group children (SC/ST/girl students) in Classes I to VII. It was noticed in audit that the workbooks were distributed free of cost to children of non-focus groups and expenditure of Rs 1.96 crore<sup>90</sup> incurred on distribution of workbooks to non-focus groups was charged to the SSA accounts. As it was against the guidelines of SSA, the expenditure incurred on this from SSA funds was irregular.

The State Project Director, SSA stated (June 2009) that all groups were included to avoid creation of social problems by neglecting some sections in the society. Government stated (October 2009) that the commitment was that the material should be distributed to all children from Classes I to VII during the vacation period. The reply is not in consonance with the guidelines/norms of SSA which restricts the distribution of workbooks to focus-group children only and the Government should have met the expenditure on provision of workbooks to non-focus children from its own funds.

## HIGHER EDUCATION DEPARTMENT

### 2.5.3 Loss of financial assistance due to failure to adhere to guidelines

**The failure of Kannur University to adhere to the norms prescribed for the release of grants by the University Grants Commission and the Indira Gandhi National Open University resulted in loss of assistance amounting to Rs 55.75 lakh.**

Kannur University had been receiving grants towards development assistance from agencies like the University Grants Commission, the Indira Gandhi National Open University, etc. Scrutiny (December 2008) of the records of the university revealed the failure of the university to adhere to the guidelines for the release of grants, which resulted in loss of assistance of Rs 55.75 lakh as shown below:

**Case A:** University Grants Commission (UGC) approved (September 2004) allocation of Rs 4.61 crore towards General Developmental Assistance to Kannur University during the Tenth Plan period (2002-07). UGC released Rs 4.15 crore, out of which Rs 91.20 lakh had been earmarked towards expenditure on staff. According to the guidelines, sanction from UGC was to be obtained for creation of posts and concurrence of the State Government or an undertaking from the university for continuance of the posts after the Tenth Plan period was to be furnished. The university, however, operated 16 posts of Readers/Lecturers during the period from January 2006 to March 2007 without getting prior sanction from UGC and incurred an expenditure of Rs 25.75 lakh on their salaries. On furnishing of the utilisation certificate (UC) (January 2008) for Rs 4.61 crore by the university, UGC intimated (March 2008) that the salary paid for 16 posts of Readers/Lecturers without

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<sup>90</sup> In respect of 13 districts for which information was made available.

prior approval would not be admitted. Though the university requested (May 2008) UGC to admit the expenditure on staff, UGC reiterated (June and October 2008) its inability to admit the expenditure. Thus, the university lost Rs 25.75 lakh spent on salary of staff appointed without prior approval of UGC.

The university stated (May 2009) that appointment of staff was delayed due to litigation by the parties concerned. The UGC had been requested to grant permission to appoint guest lecturers against the vacancies, which was not given by them. The university also stated that a request for concurrence of the Government for creation of posts was still pending with the Government and hence the university could not approach UGC for approval of expenditure on staff. The reply does not explain why the university had operated 16 posts without obtaining sanction of the said posts from UGC.

**Case B:** The Chairman, Distance Education Council, Indira Gandhi National Open University (IGNOU) sanctioned (July 2006) a development grant of Rs 20 lakh to Kannur University for 2006-07 and released 50 *per cent* (Rs 10 lakh) as first instalment in November 2006. According to the conditions for the release of grants, the second instalment of the grant would be released on receipt of the status of expenditure incurred/committed by 1 December 2006 or earlier and the entire grant was to be utilised within the current financial year. The university, however, did not furnish the details in time and submitted the UC only in December 2007. Hence, the second instalment of the grant of Rs 10 lakh for 2006-07 was not released. During 2007-08 also, IGNOU sanctioned (July 2007) Rs 40 lakh for the scheme. However, due to delay in furnishing the UC for the previous year, the first instalment of Rs 20 lakh for 2007-08 was released in February 2008 while the second instalment of Rs 20 lakh was not released. Thus, delay on the part of the university in furnishing the expenditure incurred as stipulated in the guidelines resulted in lapse of Rs 30 lakh for the years 2006-07 and 2007-08.

The university stated (May 2009) that as the first instalment for 2006-07 was released only in November 2006, it was not possible for them to comply with the time limit prescribed in the guidelines regarding forwarding of the status of expenditure by December 2006. The university was not able to avail of the second instalments for the two years 2006-07 and 2007-08. As the sanction of funds for the years 2006-07 and 2007-08 was received in July of the respective years, the university could have taken action to furnish the status of expenditure incurred in time to avail of the second instalments of assistance for these years.

Thus the failure of Kannur University to adhere to the norms prescribed for the release of grants by UGC/IGNOU resulted in loss of assistance amounting to Rs 55.75 lakh.

Government endorsed (July 2009) the remarks of the university.

**PUBLIC WORKS DEPARTMENT/HOME DEPARTMENT**

**2.5.4 Extra expenditure due to short recovery of electricity and water charges from tenants of Government quarters**

**Government incurred extra expenditure of Rs 83.11 lakh on payment of electricity and water charges of the Government quarters at Thrikkakara and at the Malabar Special Police camp, Malappuram as there were no separate meters for the quarters to determine and recover the actual amounts due from each tenant.**

Article 119(1) b and (2) of the Kerala Financial Code (KFC) provides that a tenant occupying a Government building should pay electricity and water charges directly if the building is used solely as a residence.

Scrutiny by Audit revealed that in two cases, in spite of the specific provision in the KFC, the departments<sup>91</sup> paid the entire amount towards electricity and water charges and only a nominal amount was recovered from the tenants occupying the quarters. There were no separate meters installed in the individual quarters and hence, the departments were not in a position to calculate the actual share of each tenant. The details are given below:

(i) There were 559 quarters in the non-gazetted officers quarters at Thrikkakara in Ernakulam District which were occupied by personnel of different departments. There were only three common water connections and no individual connections were given to the quarters. The Executive Engineer, Buildings Division, Ernakulam remitted (July 2008) Rs 46 lakh towards water charges in respect of the above three connections for the period from January 2002 to April 2007. However, only Rs 20 per mensem was recovered from the salary of each tenant and deposited in 'Public Works Deposits'. The amount so recovered and credited to 'Public Works Deposits' during September 1995 to June 2008 was only Rs 4.50 lakh. Thus, the department had to incur extra expenditure of Rs 41.50 lakh from Government funds towards water charges of the tenants of Government quarters.

(ii) In the Malabar Special Police (MSP) Camp, Malappuram there were 110 family quarters but only one electricity connection. The electricity charges payable during the period from April 2006 to December 2008 were Rs 43.26 lakh and paid by adjustment towards the cost of police guards provided to the Kerala State Electricity Board. However, only Rs 1.63 lakh was collected during the above period at a nominal amount of Rs 45 per mensem fixed in 1998 from each tenant. Thus the Department had to meet an additional amount of Rs 41.63 lakh from Government funds towards electricity charges of the tenants of Government quarters.

Had separate electricity or water meters been installed for each quarter, Government could have assessed the actual charges payable by each tenant. In the absence of separate meters, Government had to incur additional expenditure of Rs 83.13 lakh from their own funds.

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<sup>91</sup> Public Works and Home.

Government intimated (July 2009) that the Police Department had taken action for installing separate electric meters in the quarters at MSP Camp, Malappuram in 1998 itself and there was laxity on the part of Kerala State Electricity Board and Public Works Department in solving the issue on a time-bound basis. However, the fact remains that separate electric meters had not been provided in the quarters even after a decade.

## **WATER RESOURCES DEPARTMENT**

### **2.5.5 Non-realisation of the cost of private water connections from beneficiaries**

**Failure of the Kerala Rural Water Supply and Sanitation Agency to realise the full cost of private water connections from beneficiaries as envisaged in the guidelines of the World Bank-aided project resulted in additional liability of Rs 9.75 crore to the Government/Grama Panchayats.**

The State Government sanctioned (August 1999) the implementation of the World Bank-aided Kerala Rural Water Supply and Environmental Sanitation Project in four districts of the State which was later (December 2003) extended to the remaining 10 districts. The project implementation was to be managed by the Kerala Rural Water Supply and Sanitation Agency (KRWSA) and implemented through identified Grama Panchayats (GP) and Beneficiary Groups (BGs)<sup>92</sup>. One of the components of the scheme was construction of small scale drinking water supply systems up to 70 lpcd<sup>93</sup>. The project was proposed on two types of water connections viz., private/household water connections and public stand posts. According to the Project Appraisal Document (PAD) and Project Implementation Plan (PIP), the capital cost of the water supply scheme was to be shared by the Government (75 per cent), BG (15 per cent) and GP (10 per cent). Those beneficiaries who opted for private/ household water connections were to pay the full cost of private water connections and others were to be supplied water through public stand posts. As of October 2008, KRWSA commissioned 3,699 small scale piped drinking water supply schemes, incurring an expenditure of Rs 218.42 crore and 1,46,675 households were provided with private water connections. Scrutiny (November 2008) by Audit revealed that KRWSA had incorrectly included the cost of providing individual household/private water connections in their capital cost and recovered the above proportion from the stakeholders (BGs, GPs and the Government). No public stand posts were provided. All beneficiaries had taken private water connection. There was nothing on record to show that approval of Government had been obtained for such a deviation from the project guidelines. The cost of private water connections was estimated at Rs 1500 per household in the project document. However, a test

<sup>92</sup> Beneficiary groups are associations of households likely to be benefited by the water supply scheme and consist of two representatives, one male and another female, from each household. The BGs are autonomous legal entities registered under the Societies Registration Act 1860.

<sup>93</sup> litres per capita per day.

check of the water supply schemes implemented by 25 BGs (935 households) in five districts (out of 13) revealed that the cost<sup>94</sup> of water connections provided to each household ranged from Rs 523.34 to Rs 1150.71. Computed with reference to the average cost per household connection (Rs 781.76), the cost of providing 1,46,675 private household connections amounted to Rs 11.47 crore. Only 15 per cent of the above cost (Rs 1.72 crore) had been recovered and the balance 85 per cent (Rs 9.75 crore) remained unrealised from the beneficiaries.

Thus, the failure of KRWSA to separately work out the cost of providing private/ household water connections as envisaged in the scheme guidelines resulted in non-realisation of Rs 9.75 crore from the beneficiaries and additional liability to the Government/Grama Panchayats.

Government stated (July 2009) that the terms 'public stand post', 'house connections' and 'private connections' were not defined in the World Bank document and hence their meaning was construed in the generally accepted sense in the backdrop of the vision of the Jalanidhi project, which provided water at the doorstep. Therefore, the cost of private connection had not been collected. The reply is not in consonance with the guidelines of the scheme which provided for private water connections and public stand posts and provided for recovery of the full cost of private connections from the beneficiaries who opted for it.

## **General**

### **2.5.6 Lack of responsiveness of Government to Audit**

The Principal Accountant General (Audit) arranges to conduct periodical inspections of Government departments to test check their transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of offices inspected with copies to the next higher authorities. The provisions of Article 63 (c) of Kerala Financial Code provide for prompt response by the Executive to the IRs to ensure rectificatory action and accountability for deficiencies, lapses, etc. The Heads of offices and the next higher authorities are required to report compliance to the Principal Accountant General within four weeks of receipt of the IRs. Half-yearly reports of pending IRs are sent to the Secretaries of the concerned departments to facilitate monitoring of the pending IRs.

At the end of June 2009, 6,896 IRs and 29,436 paragraphs issued up to March 2009 were pending for settlement. The year-wise break-up of these IRs is given in the following table:

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<sup>94</sup> Worked out by Audit based on the inputs used for providing water connections to 935 households in five test-checked districts.

**Table: 2.3: Details of inspection reports and paragraphs pending for settlement**

Year	Number of Inspection Reports	Number of paragraphs
Up to 2004-05	1431	3885
2005-06	781	3203
2006-07	902	4277
2007-08	1264	6433
2008-09	2518	11638
<b>Total</b>	<b>6896</b>	<b>29436</b>

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

A review of the outstanding IRs pertaining to the Police and Treasury Departments revealed that 723 paragraphs contained in 146 IRs having money value of Rs 349.49 crore remained unsettled at the end of June 2009. The year-wise position of outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix VI**.

### **2.5.7 Follow-up action on Audit Reports**

The Government is required to finalise remedial action on audit paragraphs within a period of two months of the presentation of the Reports of the Comptroller and Auditor General of India to the Legislature. The Administrative Departments concerned are required to furnish notes explaining the remedial action taken (ATNs) on the audit paragraphs to the Public Accounts Committee as well as to the Principal Accountant General within the prescribed time limit.

Position of pendency as of June 2009 in furnishing ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India (Civil), Government of Kerala, pertaining to the years 2002-03 to 2006-07 is as follows:

**Table 2.4: Position of pendency in furnishing ATNs**

Reference to Report (Year)	Number of paragraphs included	Number of paragraphs for which ATNs have been furnished by the Government	Number of paragraphs for which ATNs were due from the Government
2002-03	63	62	1
2003-04	43	35	8
2004-05	32	27	5
2005-06	32	26	6
2006-07	39	24	15

Department-wise details of pending ATNs are furnished in **Appendix VII**.