

## CHAPTER III COMPLIANCE AUDIT

### AUDIT OF SELECTED TOPICS

#### GENERAL EDUCATION DEPARTMENT

#### 3.1 Scheme for Incentive to Girls for Secondary Education

##### 3.1.1 Introduction

Incentive to Girls for Secondary Education is a 100 *per cent* Centrally Sponsored Scheme being implemented in the State from 2008-09 onwards. The objective of the scheme was to establish an enabling environment to reduce school dropouts and to promote the enrolment of girl child belonging to SC/ ST communities in secondary schools and ensure their retention up to 18 years of age. The Scheme covers all SC/ ST girls who pass class VIII and enroll for class IX in Government, Government aided or local body schools.

To be eligible for the benefit under the scheme, the girl should be unmarried and below 16 years of age as on 31 March on joining class IX. According to the scheme, a Fixed Deposit Warrant (FDW) of ₹ 3,000 with interest is to be issued to each beneficiary, which can be en-cashed on attaining the age of 18 years and on satisfying the precondition of passing X standard.

An Audit to examine the implementation of the scheme with a view to ensure coverage, timely distribution of FDW and procedure for encashment by the beneficiaries when due for payment was conducted during March 2013 to June 2013 covering the period 2008-09 to 2012-13 in four<sup>80</sup> selected districts, applying the principles of statistical sampling. Records pertaining to 7186 (30 *per cent*) beneficiaries of 130 Government/ Government aided schools under 11 DEOs<sup>81</sup> were scrutinised.

Audit findings are discussed in the following paragraphs:-

##### 3.1.2 Scheme implementation

In Kerala, Directorate of Public Instruction (DPI) is the implementing authority of the scheme. According to the guidelines of the scheme, the State Government was required to send each year a consolidated proposal containing the details of all eligible SC/ST girl students studying in standard IX including the amount to be released as incentive to the GOI within three months of the commencement of the academic year.

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<sup>80</sup> Kollam, Malappuram, Palakkad and Thiruvananthapuram

<sup>81</sup> Attingal, Neyyattinkara, Thiruvananthapuram, under Thiruvananthapuram district; Kollam, Kottarakkara and Punalur under Kollam district; Ottapalam and Palakkad under Palakkad district; Malappuram, Tirur and Wandoor under Malappuram district

Schools were required to submit proposals to the State Government through proper channel for release of amount of incentive after examining the eligibility criteria.

In 2008-09 and 2009-10, the funds sanctioned by GOI for the implementation of the scheme in the State were routed through the State budget. The amounts were withdrawn from Treasury by the Director of Public Instruction (DPI) and transferred to the designated bank namely, State Bank of India (SBI), Main Branch, New Delhi along with the details of beneficiaries. The Implementing bank (SBI) issued Fixed Deposit Warrants (FDWs) to the DPI for distribution to the beneficiaries. From 2011-12 onwards, Ministry of Human Resource Development (MHRD) transferred the implementation of the scheme from SBI to Canara Bank. The funds for incentive to the eligible girls were released to Canara Bank directly by MHRD from July 2011 onwards.

Test check conducted in 27 schools revealed delay in submission of proposals by schools and consequent delay in submission of proposals to the State Government by DEOs.

- During 2008-09, only two schools sent proposals within the prescribed period of one month. Five schools delayed their proposals for more than six months and one school delayed more than one year.
- Delay in submitting proposals by schools resulted in delay in consolidation and forwarding of proposals at DPI level. Delay of one year in the offices of the Ottapalam and more than two years in Wandoor DEO's, was noticed in forwarding proposals for 2008-09 to the DPI.
- During 2009-10, only six schools sent their proposals to DEOs in time. In two school, delay of more than six months occurred in submission of proposals. In the remaining 19 schools, delay ranged from one to four months.
- Out of the six DEOs test-checked, none of them sent the proposal for 2009-10 within the prescribed time.

The year wise details of proposals made by DPI, amount released by GOI, etc., are shown in **Table 3.1**.

**Table 3.1: Details showing proposals made by DPI, amount released by GOI, etc.**

| Year    | Total number of SC/ ST girls studying in IX Std in Govt/ Aided schools | Number of beneficiaries proposed by DPI | Amount sanctioned by MHRD (₹ in crore) | Number of FDWs issued by bank | Remarks                                       |
|---------|--|---|--|-------------------------------|---|
| 1       | 2  | 3                                       | 4                                      | 5                             | 6   |
| 2008-09 | 26322  | 21829                                   | 6.55                                   | 18548 <sup>82</sup>           | 1167 FDWs were not issued by the Bank         |
| 2009-10 | 27466  | 22399                                   | 6.72                                   | 20335 <sup>83</sup>           | 1243 FDWs were not issued by the bank         |
| 2010-11 | 29173  | 22647                                   | Nil                                    | Nil                           |   |
| 2011-12 | 29514  | 26270                                   | 7.88                                   | Nil                           |   |
| 2012-13 | 27209  | 23765                                   | 7.13                                   | Nil                           | Funds were sanctioned by GOI in December 2013 |

Source: Details furnished by DPI

It could be seen from the above table that:

- In 2008-09 and 2009-10, names of 44,228 (21829+22399) girl students were initially included for the benefit of the scheme by DPI and ₹ 13.27 crore was sanctioned by MHRD for these two years. The entire amount was transferred to SBI by DPI. DPI subsequently reduced the list to 41,293 girl students. However, the SBI issued only 38,883 FDWs amounting to ₹ 11.67 crore only to the DPI, retaining ₹ 1.60 crore with them.
- In 2010-11 the DPI forwarded the list of 22,647 students to MHRD and requested for sanction of ₹ 6.80 crore in November 2010 (delay of three months). MHRD directed DPI (February 2011) to furnish district wise break-up of the list of students. A revised list, forwarded to MHRD in May 2012, was turned down by MHRD. Therefore, the scheme could not be implemented in the state during 2010-11.
- During 2011-12, an amount of ₹ 7.88 crore was sanctioned by MHRD for 26,270 students. However, the money was retained by the bank without issuing FDWs to the DPI (December 2013).
- Funds for 2012-13 for 23,765 students amounting to ₹ 7.13 crore were received only in December 2013, long after the financial year was over.

Thus girl students were deprived of the benefits of the scheme during 2010-13.

During the exit conference, Government stated that steps were being taken to ensure that the benefit of the scheme was extended to all eligible girl students.

### 3.1.3 Exclusion of beneficiaries

MHRD guidelines stipulate that no eligible girl student should be left out of the scheme. Despite these instructions, many eligible girl students were not covered as detailed below:

<sup>82</sup> 2114 names were deleted by DPI

<sup>83</sup> 821 names were deleted by DPI

- In the two years of implementation of the scheme, i.e., 2008-09 and 2009-10, the total number of SC/ST girls studying in standard IX was 53,788<sup>84</sup>. Against the enrollment of 53,788 students, DPI sent proposals for only 44,228 students, which the DPI subsequently reduced to 41,293 students. The reasons for not including those on the rolls for the incentive were not made known to audit. The possibility of exclusion of eligible SC/ST girls therefore, could not be ruled out.

The gap between the number of SC/ST girls studying in IX standard during 2008-09 to 2012-13 and the number of girls enrolled under the scheme during the same period ranged from 3,244<sup>85</sup> (2011-12) to 6,526<sup>86</sup> (2010-11). This is a pointer to the fact that many eligible girls were left out of the scheme. Analysis of data in test checked districts revealed that during 2008-10 (i) 2040 eligible girls were denied the benefit as proposals were not submitted by 95 schools under seven DEOs<sup>87</sup>, (ii) 725 students from 71 schools were deprived of the benefits of the scheme despite proposals submitted by schools under nine DEOs<sup>88</sup> and (iii) 176 eligible students in 17 schools under ten DEOs<sup>89</sup> were left out by the schools due to negligence. It was also seen that in seven schools under five DEOs<sup>90</sup>, twelve children not belonging to SC/ST category were extended the benefit of the scheme.

During the exit conference, Government stated that lack of awareness of the subordinate offices and school authorities about the scheme was the reason for the non-inclusion of all the eligible students and delayed/non-furnishing of list of beneficiaries by several schools.

Reply of the Government, suggesting inability of educational officers (Headmasters/DEOs/DPIs) to read and comprehend the scheme guidelines is not acceptable.

#### **3.1.4 Distribution of FDWs**

Delay in sending proposals at School/ DEO/ DPI levels and delay in sending FDWs by bank eventually resulted in students getting the benefit of the scheme after completion of the academic year in March 2010 and in March 2011. In 27 test-checked schools, 370 FDWs could not be issued since the students had left the school after completion of standard X (**Appendix 3.1**).

Government stated (October 2013) during the exit conference that action was being taken by the DPI to locate the students.

At the time of distribution of the FDWs to the schools in March 2011, the DPI directed the school authorities to take photo copy of each FDW and obtain acknowledgement from eligible students before distribution of FDWs. Test

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<sup>84</sup> Data furnished by DPI.

<sup>85</sup> 29,514 – 26,270 = 3244

<sup>86</sup> 29173 – 22,647 = 6526

<sup>87</sup> DEOs at Attingal, Malappuram, Ottapalam, Palakkad, Thiruvananthapuram, Tirur and Wandoor.

<sup>88</sup> DEO Attingal, Kollam, Kottarakkara, Malappuram, Ottapalam, Palakkad, Thiruvananthapuram, Tirur and Wandoor

<sup>89</sup> DEO Attingal, Kollam, Kottarakkara, Malappuram, Ottapalam, Palakkad, Punalur Thiruvananthapuram, Tirur and Wandoor

<sup>90</sup> DEOs Kottarakkara, Malappuram, Ottapalam, Palakkad and Tirur

check of photocopies of the FDWs revealed that in three schools<sup>91</sup> under Malappuram, Palakkad and Kottarakkara DEOs, FDWs were distributed irregularly to students studying in IX/X standard, certifying that ‘the students have passed the X standard, attained the age of 18 years’, etc., duly countersigned by the Principals/HMs of schools. As noticed in a case in a school under DEO, Kottarakkara, the possibility of more ineligible students who failed X standard/discontinued studies wrongly obtaining the benefits of the scheme cannot be ruled out.

Each student was to receive only one FDW based on the enrolment in IX standard. However, nine schools under five DEOs<sup>92</sup> received two FDWs per student in respect of 85 students. Audit noticed that two FDWs each were wrongly distributed to 33 students<sup>93</sup>. Reply from Government is awaited (January 2014).

### 3.1.5 Encashment of FDWs

The FDWs, issued by the implementing banks, become mature for encashment at the end of the quarter in which the beneficiaries attain the age of 18 years. FDWs numbering 17,367 became due for payment as on 31 March 2013. No details were available with the DPI regarding the encashment of these FDWs. Though, a Nodal Officer was appointed for co-ordination with the implementing bank, details of encashment of FDWs were not available with the Officer.

In the absence of a mechanism with DPI for reconciling the details of encashment of FDWs with the bank, the outreach of the benefit to the students could not be verified.

### 3.1.6 Drop out of SC/ ST girl students

Audit conducted an impact analysis on the dropout rate among SC and ST students before and after implementation of the scheme.

The details of dropout rate among SC/ST girl students in the State from 2007-12 for Standards VIII to X are shown in the **Table 3.2:**

**Table 3.2: Year-wise details of dropout rate**

| Standard | 2007-08 |      | 2008-09 |      | 2009-10 |      | 2010-11 |      | 2011-12 |      |
|----------|---------|------|---------|------|---------|------|---------|------|---------|------|
|          | SC      | ST   | SC      | ST   | SC      | ST   | SC      | ST   | SC      | ST   |
| VIII     | 1.30    | 6.75 | 0.79    | 4.52 | 0.78    | 3.81 | 0.67    | 4.16 | 0.63    | 6.87 |
| IX       | 2.11    | 5.45 | 1.38    | 3.77 | 1.07    | 3.70 | 0.91    | 3.42 | 0.67    | 5.14 |
| X        | 0.78    | 2.55 | 0.50    | 2.96 | 0.53    | 2.70 | 0.67    | 1.73 | 0.42    | 3.24 |

Source: Details collected from DPI

There was a steady decline in the dropout rate of SC students in VIII, IX and X Standards from 2007-12. However, the dropout rate for ST students in VIII

<sup>91</sup> Ramanattukara High School under DEO Malappuram; HS Mundur under DEO Palakkad; HS Kottavattom under DEO Kottarakkara

<sup>92</sup> Attingal, Ottappalam, Palakkad, Tirur and Wandoor

<sup>93</sup> Out of 85 warrants issued in duplication, 33 were given to the students and the remaining 52 were either returned to the DEOs or retained by the schools

Standard for 2007-08 increased from 6.75 to 6.87 *per cent* in 2011-12. In 2007-08, the percentage of dropout of ST students in IX Standard was 5.45 *per cent* which declined to 3.42 *per cent* in 2010-11 and again increased to 5.14 *per cent* in 2011-12. In the X standard, dropout rate was 2.55 *per cent* which increased to 2.96 *per cent* in 2008-09 and to 3.24 *per cent* in 2011-12.

Government, in the exit conference, attributed remoteness of tribal habitations, lack of transportation facilities, general backwardness among the STs, inaccessibility of the schools, etc., as impeding factors which contributed to high dropouts.

### **3.1.7 Review, Monitoring and evaluation**

As per guidelines of the scheme, the State Government was required to submit progress reports every quarter. By the end of the academic year, third party 'process evaluation' also should be undertaken on sample basis. Also, the scheme was to be rigorously evaluated after two years through appropriate independent agencies for further improvement.

The Government/DPI did not send any progress report to GOI so far (December 2013). "Process evaluation" and evaluation through independent agencies after two years also have not been conducted in the State so far.

### **3.1.8 Conclusion**

The scheme could be implemented only during 2008-09 and 2009-10. Delay on the part of Headmasters, DEOs and DPI in forwarding proposals resulted in failure to implement the scheme during 2010-13 thus denying the benefit to SC/ST students.

The matter was referred to Government in July 2013; their reply had not been received (January 2014).

## **3.2 Scheme for improvement of quality of school education implemented under Twelfth Finance Commission Award**

### **3.2.1 Introduction**

The Twelfth Finance Commission (TFC) awarded ₹ 100 crore as grant to education sector under state specific needs for improvement of quality of school education by constructing laboratories, libraries and for providing computers. The award period was 2005-10. A schedule of phasing of state specific grant was to be drawn taking into consideration the demand of each project as assessed by the State Level Empowered Committee.

Audit examined whether the scheme was implemented as per the guidelines issued by the TFC and the department created the required infrastructure facilities as per the proposals envisaged.

Audit methodology included scrutiny of records maintained by the Finance Department, General Education Department, Directorate of Public Instruction (DPI)<sup>94</sup>, Directorate of Higher Secondary Education (DHSE), Directorate of

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<sup>94</sup> All primary, upper primary and high schools up to X standards are under the control of the DPI

Vocational Higher Secondary Education (DVHSE) and schools there under. Out of 14 districts of the State, five districts<sup>95</sup> were selected by applying the statistical sampling method of Simple Random selection.

The Audit findings are discussed in succeeding paragraphs.

### 3.2.2 Budget provision and Utilisation of funds – loss of ₹ 10 crore of TFC grant

As per the guidelines issued by Government of India (GOI), fund for 2006-07 was to be released in quarterly instalments. For 2007-08 and 2008-09, funds were to be released when 75 per cent of grant, already released, was certified to be utilised. Grants for 2009-10 were to be released in two instalments, with the first instalment of 90 per cent to be released when the grant provided in the previous year were certified to have been utilised and the remaining 10 per cent to be released when completion certificate was provided by the State Government (Government).

There are three Directorates under the General Education Department, viz., the DPI, DHSE and DVHSE. The Action plans prepared by the Directorates were examined by the State Level Empowered Committee and Government issued sanctions thereafter. Sanction was issued by Government in February 2007 (₹ 25.07 crore)<sup>96</sup> for implementation of the scheme by DPI, DHSE and DVHSE in 2006-07. DPI made proposal only for 2006-07 and intimated the Government that further funds were not required as they had no other project to implement. Subsequent Action plan was approved by Government in January 2008 (₹ 76.51 crore)<sup>97</sup> for implementation by DHSE and DVHSE for the year 2007-08 to 2009-10.

During 2005-10, the State Government received ₹ 90 crore as against the award amount of ₹ 100 crore. The three directorates incurred an expenditure of ₹ 94.43 crore as shown in **Table 3.3**.

**Table 3.3 Details of funds received and expenditure**

(₹ in crore)

| Year         | 2006-07      |             | 2007-08      |             | 2008-09      |              | 2009-10      |              |
|--------------|--------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
|              | Received     | Expenditure | Received     | Expenditure | Received     | Expenditure  | Received     | Expenditure  |
| DPI          |              | -           |              | 6.59        |              | 4.65         |              | 5.05         |
| DHSE         | 25.00        | 6.50        | 25.00        | 1.60        | 24.72        | 15.09        | 15.28        | 36.44        |
| DVHSE        |              | 1.74        |              | 0.24        |              | 6.32         |              | 10.21        |
| <b>TOTAL</b> | <b>25.00</b> | <b>8.24</b> | <b>25.00</b> | <b>8.43</b> | <b>24.72</b> | <b>26.06</b> | <b>15.28</b> | <b>51.70</b> |

Source: Details furnished by DPI, DHSE and DVHSE

<sup>95</sup> Alappuzha, Kannur, Pathanamthitta, Thiruvananthapuram and Thrissur

<sup>96</sup> DPI ₹ 12.57 crore, DHSE: ₹ 10.50 crore and DVHSE : ₹ 2 crore, Amount released was limited to ₹ 25 crore

<sup>97</sup> DHSE: ₹ 52.26 crore and DVHSE ₹ 24.25 crore

Audit noticed that the Government received ₹ 74.72 crore<sup>98</sup> during 2006-07 to 2008-09 and furnished Utilisation Certificate (UC) (₹ 73.98 crore) to GOI in February 2010. Because of delayed submission of UC, the first instalment of ₹ 15.28 crore (out of ₹ 25 crore) for 2009-10 was received only in March 2010. The Government furnished the UC for ₹ 94.39 crore<sup>99</sup> in April 2010, i.e., after expiry of the TFC award period. Thus, due to delay in implementation and non-submission of UC in time, the Government lost an opportunity to get ₹ 10 crore released out of the TFC award of ₹ 100 crore.

Secretary, General Education Department admitted (October 2013) the observations and stated that as the award period was over, the opportunity of getting balance amount was remote.

### 3.2.3 Scheme implementation

Based on the proposal of DHSE (November 2003) Government sent proposal for implementing the scheme in 416 schools of the DHSE with an outlay of ₹ 258 crore. GOI sanctioned ₹ 100 crore in July 2005 for improving the quality of standards of education in schools by constructing laboratories and libraries and by providing computers.

### 3.2.4 Construction of libraries, laboratories and other infrastructure

The Government accorded sanction in January 2008 for construction of libraries/laboratories in 117 Government schools (78 Government Higher Secondary Schools (GHSS) and 39 Government Vocational Higher Secondary Schools (GVHSS)). The construction of buildings was entrusted to Local Self Government Institutions (LSGIs). DHSE made an allocation of ₹ 50 lakh per school and DVHSE in the range of ₹ 36 to ₹ 39 lakh per school for construction of buildings. First instalment for execution of works in DHSE was transferred to LSGIs in January 2008 and in respect of works under DVHSE funds was transferred in July 2008. Out of the 117 selected Government schools, construction in four GHSS<sup>100</sup> was cancelled due to non-availability of suitable land, poor response from the contractors, delay due to soil testing, etc.

Audit findings in respect of 113 schools are given below:

- Constructions in 16 schools were not completed/handed over as of September 2013. The delay in completion/handing over was more than three years. In 12 schools laboratories were not equipped with electricity, wash basins, storage facilities, and working table/dissection tables, etc. (**Appendix 3.2**).

The Secretary stated (October 2013) that the construction costs were very high due to increase in labour cost. Further, due to insufficiency of funds, some of the projects<sup>101</sup> could not be completed in time.

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<sup>98</sup> 2006-07: ₹ 25.00 crore, 2007-08: ₹ 25.00 crore, 2008-09 ₹ 24.72 crore

<sup>99</sup> ₹ 90 crore as TFC grant and balance ₹ 4.39 crore was met from State Government fund

<sup>100</sup> GHSS Ayyankoikkal, GHSS Central Kalvathy, GHSS Koilandy and GHSS Parayancherry

<sup>101</sup> Construction of 16 schools as mentioned in **Appendix 3.2**



- In four District Panchayaths (DP) and one Municipality<sup>102</sup> construction of buildings for 11 schools and handing over the same to the department, was completed, the unutilised amount of ₹ 36.28 lakh was retained by them.
- Out of ₹ 79 lakh released for construction of schools in Thiruvananthapuram<sup>103</sup> and Kochi<sup>104</sup> corporations and DP Palakkad<sup>105</sup>, ₹ 57.25 lakh remained unutilised since March 2010.
- Buildings in three schools<sup>106</sup> were constructed at a cost of ₹ 1.30 crore, out of the allocation of ₹ 1.50 crore made to the DP Thiruvananthapuram. In GHSS Kulathummam and GHSS Neyyar Dam, office rooms, class rooms, staff rooms etc., were constructed in deviation of sanction. In GHSS Kulathummam and Neyyar Dam library/laboratory rooms were not constructed. Further in GHSS Arayoor flooring works were not done. Though funds of ₹ 20 lakh<sup>107</sup> were available with the DP, no action was taken to complete construction of works in these schools.

Department replied (October 2013) in the exit conference that the issues would be addressed at the appropriate level.

### 3.2.5 Procurement of equipment and articles

#### 3.2.5.1 Purchase of laboratory equipment

The Government issued order (December 2008) allowing all departments to place supply orders with Kerala Small Industries Development Corporation Limited (SIDCO) without tender formalities provided the products were manufactured by SIDCO or by Small Scale Industries (SSI) registered with SIDCO. DHSE and DVHSE placed orders worth ₹ 10.77 crore<sup>108</sup> with SIDCO for purchase of laboratory equipment, and SIDCO supplied the equipment during 2009-10. In this connection, the following observations are made:

- Most of the laboratory equipment were branded articles indicating that the items were not manufactured by SIDCO or SSI units.
- DVHSE made an over payment of ₹ 1.72 crore to SIDCO, due to erroneous tender tabulation. The excess payment remained unadjusted (October 2013).

The Government replied (October 2013) that the supply of lab articles was entrusted to SIDCO since the firm was a total solution provider. The reply is not acceptable since SIDCO was not manufacturing laboratory articles.

<sup>102</sup> DP Palakkad: ₹ 13.36 lakh, DP Wayanad: ₹ 13.25 lakh, DP Kozhikode: ₹ 4.81 lakh, DP Kasaragod: ₹ 0.77 lakh and Vadakara Municipality: ₹ 4.09 lakh

<sup>103</sup> GVHSS Tamil Chalai : ₹ 9.90 lakh

<sup>104</sup> GVHSS North Edappally : ₹ 15.60 lakh

<sup>105</sup> GTHSS Sholayoor : ₹ 31.75 lakh

₹ 57.25 lakh remain with the LSGIs.

<sup>106</sup> GHSS Arayoor, GHSS Kulathummam, GHSS Neyyar Dam

<sup>107</sup> ₹ 1.50 Crore - ₹ 1.30 Crore

<sup>108</sup> DHSE : ₹ 4.68 crore and DVHSE: ₹ 6.09 crore

### 3.2.5.2 Purchase of Computers

DHSE had an allocation of ₹ 5.46 crore for purchase of computers and setting up of computer laboratories in 78 schools. The entire amount was utilised by DHSE. Audit observed the following:

- In 45 schools, 1114 UPSs were supplied as against 687 computers, resulting in excess supply of 427 UPSs costing ₹ 9.39 lakh.

The Department stated that the excess UPSs supplied will be transferred to other schools.

- Computers, laptops, projectors, printers, scanners and accessories worth ₹ 5.19 lakh were procured and retained by DHSE for their own use out of the funds allocated for purchase of computers to 78 schools.

The Directorate replied (May 2013) that out of these items, 15 computers and 15 UPSs were subsequently distributed to the schools, and only three printers and five laptops were retained by the Directorate. The Directorate, however did not furnish the details of schools where these computers were subsequently transferred.

### 3.2.5.3 Purchase of books

In February 2010, Government made an assessment of the progress of utilisation of TFC grant and found that an amount of ₹ 4.58 crore<sup>109</sup> could not be utilised in the remaining period. Government therefore, decided to utilise this amount on another scheme of the DPI for supply of books on science and technology, mathematics, computer science and books from national/ regional languages, etc., to the schools with a project cost of ₹ 6.50 crore. This scheme was not included in the approved Action plan for utilisation of TFC grant. Rupees 4.58 crore was drawn by DPI in March 2010 and transferred to Book Marketing Society<sup>110</sup> in April 2010 for distribution of books to the schools. The drawal of funds was to prevent lapse of budget provision and to depict utilisation of the amount before the expiry of the award period.

The Department stated that the proposal was considered with the good intention to give more library facility to the students. However, the fact remains that this scheme was not a part of the approved action plan.

### 3.2.6 Assessment of impact of the scheme

The measurable benefits of the scheme were creation of new infrastructure by way of laboratories, libraries and upgradation of computer facilities. While the Department has not carried out any impact assessment of the scheme, Audit through a scrutiny of records, field visits & discussions with teachers, observed that wherever new infrastructure was created and handed over to the schools, there were improvements by way of new laboratories that were being used by the students, new libraries with books being issued regularly and new computer facilities that the students found to be useful, subject to the

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<sup>109</sup> ₹ 4.58 crore was incurred by DPI using their unspent balance of ₹ 0.78 crore, ₹ 2.27 crore from DHSE and ₹ 1.53 crore from DVHSE

<sup>110</sup> A society under Culture department

observations in the preceding sections. Besides, the facilities were established in the needy schools, except for a few instances referred above.

The above issues were referred to Government in July 2013; their reply had not been received (January 2014).

## REVENUE DEPARTMENT

### 3.3 Bhoomikeralam Project

#### 3.3.1 Introduction

Government formed (October 2008) Kerala Land Information Mission (KLIM) to implement Bhoomikeralam Project with the objectives, *inter alia*, to (i) finalise resurvey in the state within a period of three years, (ii) prepare survey records of the 27000 Hectares of land to be distributed to ‘adivasis’ of the State in nearly 1000 locations, (iii) complete resurvey of 31 villages of Thiruvananthapuram taluk under the centrally sponsored National Land Records Modernisation Programme (NLRMP), and (iv) complete the resurvey of lands in possession of Harrison Malayalam Plantations Ltd. and to identify excess land, if any, held by the company un-authorisedly.

An Empowered Committee (EC) headed by the Chief Secretary to Government of Kerala was to execute the Bhoomikeralam Project. The Principal Secretary to Government (Revenue) was designated as Mission Director of KLIM and Director of Survey and Land Records (DSLRL) as the Additional Mission Director (AMD). A Project Director (PD) was appointed in October 2009. At the district level, the KLIM had nine District Project Offices headed by District Project Officers (DPOs).

An Audit on the Bhoomikeralam Project covering the period from October 2008 to March 2013 was conducted during April to June 2013 to assess whether the resurvey of lands in the State, including those in possession of ‘adivasis’, was completed in a time bound manner. Audit scope also included resurvey under NLRMP and resurvey of lands in the possession of Harrison Malayalam Plantations Ltd.(HMPL) etc. Audit scrutinised the records of Bhoomikeralam Project in the State Secretariat (Revenue Department), State Project Office of KLIM, Directorate of Survey and Land Records and five<sup>111</sup> District Project Offices of KLIM selected by applying Stratified Statistical Sampling.

#### 3.3.2 Funding

Government did not allocate any funds specifically for this project. The DSLRL draws funds<sup>112</sup> required for Bhoomikeralam from the budget allocation for Survey and Land Records Department and transfers to the Treasury Savings Bank<sup>113</sup> (TSB) Account of the KLIM. The PD, KLIM transfers funds to various DPOs. The funds received from the Directorate of Survey and Land

<sup>111</sup> DPOs of Idukki, Malappuram, Thiruvananthapuram, Thrissur and Wayanad districts.

<sup>112</sup> Funds include Non-plan funds towards resurvey charges etc., and Plan funds under NLRMP.

<sup>113</sup> TSB account maintained by PD at Sub Treasury, Vellayambalam, Thiruvananthapuram.

Records during 2008-13, the expenditure incurred and the balance as on 31 March 2013 according to the Statements of Expenditure prepared by KLIM were ₹ 22.38 crore, ₹10.97 crore and ₹ 11.41 crore respectively. Out of the balance amount of ₹ 11.41 crore, ₹ 11.37 crore was retained in the Treasury Savings Bank Account. In addition to the Plan/Non-Plan funds transferred to KLIM, the Pay and Allowances in respect of staff deployed on the Project were drawn from the Directorate of Survey and Land Records. The main reasons for non-utilisation of funds were absence of Action Plan, adoption of modern technology without assessment of viability, absence of norms for deployment of survey staff, lack of professionalism etc., as discussed in succeeding paragraphs.

### **3.3.3 Resurvey of the State**

#### **3.3.3.1 Resurvey of lands using hybrid technology**

Government decided to use satellite and aerial photogrammetry for land resurvey under Bhoomikeralam Project on the basis of past experience as it was realised that it will take decades to complete resurvey using Electronic Total Stations (through the ground survey method). Under Aerial Survey/Photogrammetry, KLIM had proposed to take up five works during 2009-11. The details of the works and their status as of March 2013 are shown in **Appendix 3.3**.

Audit noticed that an amount of ₹ 6.20 crore was sanctioned for five works to be taken up using aerial survey/photogrammetry method. But, all the five works proposed under Aerial survey/photogrammetry were either not taken up or not completed by the respective agencies to whom the works were entrusted. The records did not indicate whether any preliminary study/viability of the adoption of modern technology in survey works was carried out before taking up the work. Based on expert opinion and experience which other states had with this technology, the EC decided (January 2012) to drop Aerial photogrammetric survey. Another Consultant<sup>114</sup> to KLIM opined (March 2013) that the KLIM has no capacity to work on this technology, which requires photogrammetric workstations along with software and trained manpower. However, KLIM has not taken timely action to get refund from Survey of India (SOI)/Mission for Geo-spatial Applications, GOI to whom these funds were allocated to.

The PD stated (October 2013) that at the time of inception of Bhoomikeralam Project, the perception of the then planners/administrators was to use aerial survey photogrammetry and satellite survey methods instead of time taking ground survey methods and complete the survey works in a stipulated time frame. Further, he stated that, as the said method experimented in Mathur village of Palakkad district was not found feasible in Kerala conditions due to highly uneven terrain, parcel conditions and also the density of canopy covers etc., the project was dropped for avoiding huge loss by investing on the same and the Mission had decided to utilise such amounts for other purposes.

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<sup>114</sup> Former Assistant Director of Survey of India, who was appointed for consultancy in survey works using modern technology/ methodology

Thus, lack of proper preliminary study and non-assessment of the viability of the adoption of modern technology before entrusting the works to the agencies resulted in blocking up of funds to the tune of ₹1.29 crore<sup>115</sup>. This also led to resurveys not being taken up in those areas where hybrid technology was to be used.

### 3.3.3.2 *Achievement in coverage of targeted villages*

Before the taking up of the project, out of 1604 villages in the State, the department had completed resurvey of 745 villages (46 per cent) and the same was in progress in another 140 villages as of October 2008. Therefore, under the Bhoomikeralam Project, 719 villages were to be freshly resurveyed covering an area of 9,617 sq. km. in three years, besides completion of resurvey of 140 villages for which resurvey was in progress as of October 2008.

Audit observed that there were no year-wise plans for the resurvey of 719 villages during 2008-2011, the three years within which the resurvey was expected to be completed. Only nine<sup>116</sup> out of 719 villages and none of the 140 villages where resurvey was already in progress, were taken up for updation in this period. Of these nine villages, the resurvey work was completed only in four villages<sup>117</sup> and the records were handed over to Revenue Department. Resurvey in the remaining five villages was in different stages. The resurvey of 710 villages/updation of 140 villages had not started as of December 2013.

In the test-checked districts of Malappuram, Thiruvananthapuram and Thrissur, where villages were taken up for resurvey works, several deficiencies were noticed as detailed below:

#### *Absence of Action Plan*

The District Project Office of KLIM in the test-checked districts did not have detailed action plan specifying the time frame for completion of the resurvey work of each village. In the Modern Survey Manual, the time prescribed for completion of re-survey of a village was six months. Against the prescribed time of six months, it took 20 months to complete the resurvey of Poonkunnam village alone. In the remaining four villages<sup>118</sup>, time taken for resurvey ranged from 21 to 48 months.

#### *Deployment of survey staff – Absence of norms*

Audit noticed that the mandays availed for resurvey of five villages in the test-checked districts varied from 3660 to 11679 for 100 hectares. This indicated that the deployment of staff was not based on any norms. The large scale variations in mandays availed for the resurvey work in the villages with respect to the area resurveyed indicated under/ineffective utilisation of manpower available and the need for norms for deployment.

<sup>115</sup> ₹ 1.09 crore with Survey of India and ₹ 0.20 crore with MGSA

<sup>116</sup> Manacad and Thirumala in Thiruvananthapuram district, Ayyanthole, Peringavu, Nettissery and Poonkunnam in Thrissur district, Melmuri in Malappuram district, Palakkad I in Palakkad district and Maniyoor in Kannur district

<sup>117</sup> Peringavu and Poonkunnam in Thrissur District, Palakkad I in Palakkad District and Melmuri in Malappuram District

<sup>118</sup> Melmuri (Malappuram), Manacad and Thirumala (Thiruvananthapuram), Peringavu (Thrissur)

The PD stated (October 2013) that initially the project was designed to be implemented through newly appointed survey staff as they were quick in grasping the complex techniques and also it was found difficult to train the traditional survey staff. Therefore KLIM had never followed a staff hierarchy, norms, etc., for new survey works.

The PD attributed the delay in completion of resurvey works to lack of experienced manpower, absence of full-time district level Project Officers, slow adaptation to modern technology and also the unsuitability of Aerial Survey/Photogrammetry in the State due to high uneven canopy cover.

The reply is not correct as the unsuitability of Aerial survey/photogrammetry for the canopy covered area was very well known at the initial stage itself. Further, the KLIM was authorised to deploy experienced staff, hire technical experts, impart training to staff, etc., for timely completion of its objectives. Thus, despite incurring ₹ 2.96 crore<sup>119</sup> towards re-survey charges and establishment charges, the achievement was negligible in terms of resurvey of land.

### **3.3.4 Resurvey of land in possession of Harrison Malayalam Plantations Limited**

Under the Project, KLIM was required to complete the resurvey of land in possession of Harrison Malayalam Plantations Limited (HMPL) and to identify excess land, if any, held by the company un-authorisedly. However, KLIM did not take up this resurvey work and the EC had never discussed the implementation of this objective in any of its meetings during 2008-13.

Project Director, KLIM replied that Government had constituted (September 2009) a Special Team headed by the Assistant Commissioner (LA) to enquire into the titleship claims of the lands held by HMPL.

The reply is not acceptable as the formation of the Special Team did not prevent KLIM from taking up the work of resurvey of land in possession of HMPL.

### **3.3.5 Non-utilisation/under-utilisation of funds under NLRMP**

The works taken up by KLIM included works sanctioned under NLRMP, a Centrally Sponsored Programme, which aims at computerisation of all land records, survey/resurvey and updation of all survey and settlement records, etc.

The review of the works taken up under NLRMP by KLIM revealed deficiencies as discussed below:

#### **3.3.5.1 Works taken up but not completed**

Works costing ₹ 5.08 crore taken up during 2010-12 remained incomplete as of December 2013, details of which are enumerated below.

- District Integrated Land Records Centre – The Centre, sanctioned in March 2010, aimed at updation of textual and spatial data at district

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<sup>119</sup> Salary of survey staff is drawn from the DSLR and hence not included

level. This was planned to be set up at a cost of ₹ 3.23 crore to provide copy of documents to public from a most convenient location at district level. The work was proposed to be completed by 31 March 2012. The centres were initially planned to be set up in four<sup>120</sup> districts but later decided to carry out the work at Central Survey Office (CSO), Thiruvananthapuram. KLIM experienced difficulties in co-ordinating Revenue and Registration Departments to accomplish the task and decided to modernise only the Survey Department.

Out of ₹ 3.23 crore, ₹ 1.07 crore was advanced to four District Collectors and it remained unspent with them. However, KLIM had furnished utilisation certificate to Government for the amount advanced to District Collectors.

Thus, due to absence of proper planning and lack of co-ordination with the related departments involved in land records management, the scheme did not materialise.

- Central Digitization Centre - The Centre, sanctioned in March 2011, was to be set up at a cost ₹ 1.21 crore at Thiruvananthapuram with the objective of digitization of old survey records. Even though ₹ 0.59 crore was spent, the work has not been completed.
- Preservation & Digitization of Cadastral Maps –The work of digitization of cadastral maps and integration of textual and spatial data was sanctioned in August 2012 at a cost of ₹ 0.64 crore. It was seen that KLIM, the implementing agency, had conducted only the pilot work so far and the entire amount remained unspent.

### 3.3.5.2 Works sanctioned/approved but not taken up

Audit noticed that seven works planned to be executed by KLIM at a total cost of ₹ 6.19 crore under NLRMP were not taken up as of December 2013.

Of the seven works, two works viz., ‘Upgradation of 1200 Series Total Stations to Smart Station’ and ‘System Administration, Software Development & data entry for online hosting of survey data’ sanctioned in March 2009 at a cost of ₹ 1.28 crore and ₹ 1.81 crore respectively were not taken up. In the former case, the entire fund remained unutilized with KLIM while in the latter case, the entire fund was diverted for other purposes.

Remaining five works<sup>121</sup> (₹ 3.10 crore) were not taken up and the funds remained unutilized.

Non-taking up of works sanctioned and diversion of funds indicated KLIM’s inefficiency in planning and execution of works.

<sup>120</sup> Ernakulam, Kottayam, Kozhikode and Thiruvananthapuram

<sup>121</sup> Upgradation of one of the survey schools as training institute on Modern survey, Establishment of KLIM as nodal agency for NLRMP and registering it as a society under Societies Act, publishing survey records on website, setting up Training Complex/Geo Spatial Resource Centre at Parvathimala and establishment of Ground Control Points by DGPS

### **3.3.6 Other resurvey works assigned to KLIM**

Government directed (2011) the KLIM to conduct resurvey of Cardamom Hill Reserve (CHR) land in Idukki district. However, the KLIM was yet to take up the execution of work as of July 2013 citing insufficient manpower, topography and climatic conditions of CHR. Thus the sanctioned amount of ₹ 1.03 crore remained unutilised.

### **3.3.7 Failure of KLIM**

Government observed that KLIM which was set up for completing re-survey in the State within three years failed in achieving the objective. Considering the very poor achievement of KLIM, Government decided (October 2012) that in future, Government land alone need be re-surveyed while private land need to be re-surveyed only on requests from individuals. Based on this order, KLIM had proposed to give up the resurvey activities completely. Thus, the objective of completion of resurvey of the State by KLIM under Bhoomikeralam Project was not fulfilled and the status remained the same as of October 2008 when KLIM was set up. Moreover, all the works ordered to be executed by KLIM under NLRMP were also not completed and therefore the intended benefits<sup>122</sup> to the public under NLRMP could not be provided. Government's admission that the resurvey work by KLIM was a failure indicates that Bhoomikeralam Project was sanctioned without proper analysis/study of the situation, and the intended purposes were not served despite spending ₹ 10.99 crore<sup>123</sup> in addition to pay and allowances of Survey staff deployed to KLIM.

The above issues were referred to Government in August 2013; their reply had not been received (January 2014).

## **3.4 Confiscation of illegally mined river sand and its disposal**

### **3.4.1 Introduction**

Indiscriminate and uncontrolled removal of sand from the rivers to meet increase in demand causes large scale land sliding and loss of property and also disturbs the bio-physical environment system of river beds in different degrees.

To protect river banks and river beds from large scale dredging of river sand, to protect their bio-physical environment system and to regulate the removal of river sand, the State Government enacted 'The Kerala Protection of River Banks and Regulation of Removal of Sand Act 2001' (Principal Act). 'The Kerala Protection of River Banks and Regulation of Removal of Sand Rules (Sand Rules 2002)' were also formulated under this Act in 2002. The Land Revenue Commissioner (LRC) has been given the responsibility of keeping a check on illegal sand mining in the State and the Collectors at the District level are responsible for implementation of the provisions of the Act.

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<sup>122</sup> Providing a single window to handle land records, the cadastral records mirror the ground reality, the records of title is a true depiction of the ownership status, mutation is automated, title insurance which guarantees the title for its correctness and indemnifying the title holder against loss arising on account of any defect therein

<sup>123</sup> ₹ 5.58 crore towards resurvey charges and ₹ 5.41 crore towards NLRMP



### 3.4.2 Magnitude of the issue

The Government appointed (October 2009) a Committee to make a fast track study on the issue connected with the shortage of sand and to suggest solutions to overcome this grave situation. The interim report submitted by the committee (November 2009) to Government contained the details of estimated demand and supply of sand in the State as shown in Table 3.4.

**Table 3.4: Details of estimated Demand and Supply of sand in the State**

*In Million Tonnes*

| Year         | Requirement of sand | Supply of sand |              | Total Supply | Demand/ supply gap |
|--------------|---------------------|----------------|--------------|--------------|--------------------|
|              |                     | Official       | Illegal      |              |                    |
| 2008-09      | 22.26               | 9.40           | 8.90         | 18.30        | 3.96               |
| 2009-10      | 23.34               | 7.99           | 9.34         | 17.33        | 6.01               |
| 2010-11      | 24.33               | 6.79           | 9.73         | 16.52        | 7.81               |
| 2011-12      | 25.20               | 5.77           | 10.08        | 15.85        | 9.35               |
| 2012-13      | 26.10               | 4.90           | 10.44        | 15.34        | 10.76              |
| <b>Total</b> | <b>121.23</b>       | <b>34.85</b>   | <b>48.49</b> | <b>83.34</b> | <b>37.89</b>       |

The increased trend in illegal mining of river sand underlines the need for an effective check to curb such activities as these may not only result in loss of revenue to Government, but could also affect the bio-physical environmental system of river beds in the State.

Audit was conducted from April to June 2013, covering the period 2008-13 to assess the effectiveness of the implementation of the provisions of the Act and Rules in respect of confiscation and disposal of river sand, removed and transported illegally, without complying with the provisions of the Act.

Audit verified the records of the Revenue Department in Government Secretariat, in the offices of the Land Revenue Commissioner (LRC) and five District Collectorates<sup>124</sup>.

The audit findings are as follows:

### 3.4.3 Seizure and confiscation

#### 3.4.3.1 Delay in completion of confiscation proceedings

In terms of Section 23 of the Principal Act, whoever transports sand without complying with the provisions of the Act is liable to be punished and the vehicle used for the transportation is liable for confiscation. According to instructions issued by the Government (November 2010), the confiscation<sup>125</sup> should be completed within six weeks from the date of seizure<sup>126</sup> and the reason for delay, if any, was to be furnished to LRC. Despite having enabling

<sup>124</sup> Districts of Ernakulam, Kottayam, Malappuram, Palakkad and Thiruvananthapuram were selected by applying the statistical sampling method of Probability Proportional to Size Without Replacement (PPSWOR)

<sup>125</sup> Confiscation follows seizure after the Judicial Magistrate/Sub Divisional Magistrate is satisfied that the application by the owner of the vehicle to release the vehicle is not satisfactory. Confiscation proceedings shall then start under the Act

<sup>126</sup> Seizure is the initial process of taking into custody of the vehicles suspected of transporting sand illegally

provisions in the Act and subsequent Government instructions for confiscation of vehicles involved in illegal river sand transportation, confiscation of only 4,244 out of 15,594 vehicles seized during 2008-13 indicated poor implementation of the Act (**Appendix 3.4**). There were delays ranging from six weeks to five years in confiscation of the vehicles. Further, in none of the cases, the reason for not passing the final confiscation order was furnished to the LRC.

The Government agreed (October 2013) with the audit findings and stated that a time bound action plan would be chalked out for the speedy disposal of the confiscation of the seized vehicles.

#### **3.4.3.2 Cognizance of offences**

According to the Principal Act (Section 20) whoever contravenes the provision of the Act or Rules there under shall, on conviction be punished with imprisonment /fine or both. The court can take cognizance of offences only upon a written complaint made by a person authorised in this behalf by the Government or the District Collector or a Geologist of the Department of Mining and Geology in terms of Section 25 of the Principal Act. In accordance with Section 23 of the Principal Act and Section 23A of the amended Act, the District Collectors/Sub-Divisional Magistrates confiscated 4244 vehicles in the test-checked districts during 2008-13. However, records produced to audit indicated that out of these 4244 cases, written complaints were not made in 4124 cases as required under Section 25 of the Principal Act. Regarding the remaining 120 cases in Malappuram district, the District Collector, Malappuram, reported that the cases were forwarded to the Assistant Public Prosecutor for initiating prosecution procedures.

Significantly, the Honourable High Court of Kerala while disposing of (March 2012) writ petitions on implementation of various provisions of the Principal Act had ordered that the appropriate authority should also file complaints for initiating prosecution in all cases.

Government admitted (October 2013) that the District Collectors, RDOs and Tahsildars had failed to take appropriate action for filing written complaints and for initiating prosecution procedures in the confiscation cases as provided in the Principal Act.

In the absence of initiating prosecution proceedings, the offenders were allowed to escape punishment for contravention of the provisions of the Act.

#### **3.4.3.3 Confiscation of sand**

The quantity of sand seized and confiscated were not measured and recorded anytime by the Revenue or Police officials. On seizure, the police prepared a *Mahazar*<sup>127</sup> and a copy of this along with First Information Report (FIR) was submitted before Judicial Magistrate/Sub Divisional Magistrate having jurisdiction of the area where the sand was seized. In these submissions, the quantum of sand seized was not recorded in specific weighment units, but mention was made as half/full load of van, minivan, lorry, heap, etc. As per

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<sup>127</sup> It is a description of facts and state of things which an investigating officer observes in a scene of crime

the Government Order (June 2009), the confiscated sand was to be handed over to Nirmithi Kendra<sup>128</sup> for sale through ‘Kalavara’<sup>129</sup>. Audit noticed that the quantity of sand seized was measured and accounted for only by Nirmithi Kendra at the time of taking over of the seized sand and the same was accepted by the Revenue Department. As per the records of District Nirmithi Kendras (DNKs) in five test-checked districts, 38422.73 m<sup>3</sup> of confiscated sand was received by them during the period 2009-13, but an independent verification of the quantity was not conducted by Revenue/Police authorities.

As the sand is not measured by the Revenue/Police authorities at the time of seizure, there is a chance of pilferage before it is taken over by DNK, leading to loss of revenue.

It was however observed in Vaikkom Taluk in Kottayam District, that entire quantity of sand seized by police officials was not being received by DNK Kottayam. From the records, Audit observed that there was difference of 440.31 m<sup>3</sup> in the quantum of sand reported as seized by police officials (1531.28 m<sup>3</sup>) and the actual quantity received and accounted by the DNK (1090.97 m<sup>3</sup>) during 2011-12.

Audit noticed that neither the LRC nor the Police Authorities had issued any directions to their field staff to measure and record the quantity of sand seized and confiscated.

In the absence of proper system to measure and record the quantity of sand seized and confiscated, possibility of pilferage of confiscated sand could not be ruled out. The LRC admitted (October 2013) that lot of pilferage was taking place due to the absence of standardised measurement techniques and units which warrants urgent intervention of the Government. The Government endorsed (October 2013) the views of the LRC.

#### **3.4.4 Disposal of confiscated vehicles and sand**

As per Rules 27 (3) and 28 (2) of “The Kerala Protection of River Banks and Regulation of Removal of Sand Rule 2002”, if the amount fixed by the District Collector for release of the confiscated vehicle was not remitted by the offender within the specified period, the District Collector can sell the vehicle by auction.

Further, Government directed (June 2009) the District Collectors to supply the confiscated sand to Nirmithi Kendras for selling the same through the fair price market ‘Kalavara’ at rates prescribed by Government.

##### **3.4.4.1 Disposal of confiscated vehicles**

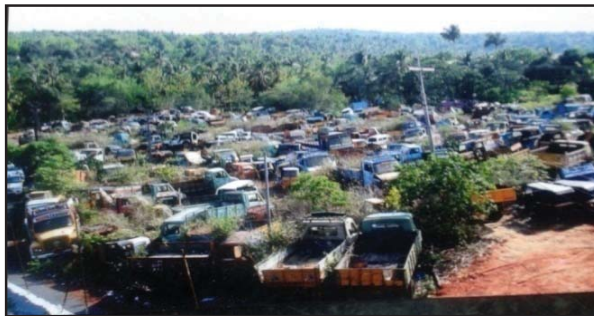
No proper records regarding number of vehicles seized, confiscated, places at which they were kept, released and auctioned were maintained in any of the District Collectorates test-checked. Out of the total number of 4244 vehicles confiscated in five test-checked districts, 759 vehicles in Ernakulam and Palakkad Districts were kept by the district authorities as of March 2013

<sup>128</sup> Nirmithi Kendra is an autonomous agency registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act 1955 for disseminating cost effective and environmental friendly building technology

<sup>129</sup> Fair price market run by District Nirmithi Kendras

without taking any action as required under the Rules. These vehicles carrying sand were kept in the open yards at various police stations, dumping yards, Taluk Offices and District Collectorates.

Audit noticed a large number of the 7,678 seized vehicles in Malappuram District were parked in an open yard at Kadampuzha without confiscation and the vehicles were in a deteriorated condition. Details regarding the number of vehicles kept in this yard were not available with the Police Station which maintains and controls this dumping yard. The reluctance of the owners to claim the vehicles and delay in getting valuation report from the transport authorities were stated to be the reasons for the delay in disposal of the vehicles.



Vehicles parked at Kadampuzha in Malappuram District

The reply is not acceptable in view of the fact that District Collectors are empowered to authorise sale of confiscated vehicles in the event of owners failing to claim the vehicles. Co-ordination with the transport authorities also needs to be enhanced for obtaining valuation reports promptly.

#### **3.4.4.2 Disposal of confiscated sand – Loss of Revenue**

The Government fixed (June 2009) the rates for confiscated river sand for supply to the public through the DNKs for selling the same through Kalavaras. Later, as per the Ordinances in force from June 2010 to July 2011 and from November 2012 onwards till the amended act 2013 was enacted by legislation (except during the period from 13 July 2011 to 24 November 2012, when the ordinance was not in force), the confiscated sand was to be sold to DNKs at the rates fixed by Public Works Department (PWD), which was higher than the rates fixed by the Government in June 2009. Scrutiny of the records in the DNKs and District Collectorates in the test-checked districts revealed that the confiscated sand was handed over to DNKs at the rate fixed by Government in June 2009 instead of selling it to DNKs at the PWD rates. Selling of the confiscated sand at reduced rate during the period June 2010 to July 2011 and from November 2012 to March 2013 resulted in revenue loss of ₹ 1.63 crore to the Government.

### **3.4.5 Measures to prevent illegal mining of sand**

#### **3.4.5.1 Functioning of River Protection Squads**

Sand Rules, 2002 envisage that the District Collectors were to constitute squads consisting of Police and other officials with Tahsildar as the head to prevent illegal mining and transportation of river sand. Government directed

(July 2005) the LRC to form two or three squads in each district with Tahsildar as the head and directed the District Collectors to furnish the performance of the squads formed.

Audit noticed that in the districts test-checked, squads were not formed in Palakkad. However, in other districts where squads were formed, no records relating to the performance of the squads were maintained and a report as required by the Government regarding the performance of the squad in the prescribed proforma was not furnished to the LRC. In the absence of proper records, the effectiveness of the squads could not be assessed.

The LRC stated (October 2013) that no separate posts were sanctioned in any of the districts exclusively for the smooth functioning of the squad and most of the squads were demand driven in nature. Audit concluded that ensuring the effective functioning of dedicated squads could curb and minimise illegal mining of river sand.

#### **3.4.5.2 Non-utilisation of vehicles**

Audit noticed five out of six vehicles purchased for the use of the squads in the test-checked districts were not utilised for the purpose and these vehicles were allotted to the officials of the revenue department for their regular official duties.

#### **3.4.6 Sand Auditing by expert agencies**

According to Section 29 of the Principal Act read with Rule 30 of the Rules, Government was to conduct sand audit<sup>130</sup> every three years by engaging expert agencies<sup>131</sup> so as to ensure protection of rivers in each district and to assess the quantity of available sand. The report of the sand audit was also to be placed in the Legislative Assembly with an Action Taken Statement thereof. Audit noticed that in only 20 out of 44 rivers in the State, action was initiated to conduct river mapping and sand auditing during 2008-13 and sand auditing reports of only four were prepared. Audit examined all the four<sup>132</sup> completed Sand Audit reports which cautioned that indiscriminate mining of river sand several folds higher than its natural replenishment would adversely affect stability of riverbed and banks, ultimately leading to degradation of the river ecosystem that sustain the life and greenery of the State. The reports also stated that it would result in decline of riparian vegetation and other biological resources including several fresh water fishes.

The sand auditing reports submitted (November 2012) by the expert agencies pointed out that illegal sand mining was rampant in Neyyar and Vamanapuram rivers. Illegal mining was reported in 187 sites on both sides of Vamanapuram river in Thiruvananthapuram district.

<sup>130</sup> River sand auditing is a procedure to evaluate the process of sand mining in a river or a portion of a river after a specific period of sand mining. The exercise is undertaken to know how far the mining process and its execution in a river or part of a river has helped to minimize the negative effects of sand mining on one side and to maximize the positive effects on the other

<sup>131</sup> Centre for Earth Science Studies (CESS), Centre for Water Resources Development and Management (CWRDM) etc

<sup>132</sup> Sand audit reports of Manimala, Neyyar, Periyar and Vamanapuram rivers

Government stated (October 2013 ) that after completing the Sand Auditing in 20 rivers in the first phase, the Sand Auditing in the remaining 24 rivers could also be explored.

### **3.4.7 Conclusion**

Timely action was not taken by the District Collectors in accordance with the Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001 in confiscation of vehicles involving illegal transportation of river sand and delays ranged from six weeks to five years. Non-compliance of the Act by the Revenue Department resulted in non-filing of written complaints in courts against the offenders involving illegal transportation of river sand. This allowed the offenders to escape from court proceedings. Selling of confiscated sand at a rate less than PWD rate resulted in a revenue loss of ₹ 1.63 crore to Government. The effectiveness of the squads' functioning was not monitored.

## **WATER RESOURCES DEPARTMENT**

### **3.5 Financial Management of Kerala Water Authority**

#### **3.5.1 Introduction**

The Kerala Water Authority (KWA) was established under Kerala Water and Wastewater Ordinance, 1984 to provide for the development and regulation of water supply and wastewater collection and disposal. The Ordinance was replaced by the Kerala Water Supply and Sewerage Act (Act), 1986. KWA is the major institution/Statutory authority in the State, implementing the drinking water policy/programmes of the State and Central Government. The State and Central Governments provide substantial financial assistance to KWA for taking up activities related to water supply and wastewater.

The objective of audit was to ascertain whether the overall management of finances in KWA was economic and efficient. Audit was conducted during April 2013 to July 2013, covering the period 2008-09 to 2012-13.

The audit findings are discussed in the following paragraphs:

#### **3.5.2 Sources and management of fund flow**

The major sources of funds of KWA are grants from the State Government and Government of India (GOI), loans from State government and financial institutions and revenue collected for supply of water and sewerage charges. Major requirements of fund are categorised under capital cost of projects, establishment charges and operation and maintenance charges (O&M). Receipts and utilisation of funds during 2008-09 to 2012-13 are given in **Table 3.5**.

**Table 3.5: Receipts and expenditure during 2008-09 to 2012-13***(₹ in crore)*

| Period       | Grant          |               | Loan           |               | Deposit & other receipt | Revenue from water and sewerage charges | Total receipts <sup>133</sup> | Total Expenditure |
|--------------|----------------|---------------|----------------|---------------|-------------------------|---|-------------------------------|-------------------|
|              | State Govt.    | GOI           | State Govt.    | Bank          |                         |   |                               |                   |
| (1)          | (2)            | (3)           | (4)            | (5)           | (6)                     | (7)                                     | (8)                           | (9)               |
| 2008-09      | 186.21         | 106.97        | 379.00         | 263.01        | 58.46                   | 223.87                                  | 1217.52                       | 1458.43           |
| 2009-10      | 509.54         | 154.47        | 315.00         | 6.60          | 48.97                   | 314.80                                  | 1349.38                       | 1430.08           |
| 2010-11      | 480.58         | 148.77        | 94.67          | 6.90          | 45.62                   | 355.40                                  | 1131.94                       | 1127.48           |
| 2011-12      | 429.68         | 124.46        | 230.10         | 0.78          | 77.03                   | 351.96                                  | 1214.01                       | 1204.61           |
| 2012-13      | 564.20         | 249.71        | 240.00         | 25.88         | 99.33                   | 384.49                                  | 1563.61                       | 1621.47           |
| <b>Total</b> | <b>2170.21</b> | <b>784.38</b> | <b>1258.77</b> | <b>303.17</b> | <b>329.41</b>           | <b>1630.52</b>                          | <b>6476.46</b>                | <b>6842.07</b>    |

Source: Budget documents of KWA for the period up to 2011-12 and cash flow statement and plan progress report for 2012-13

As seen from the above table, total expenditure increased from ₹ 1458.43 crore in 2008-09 to ₹ 1621.47 crore in 2012-13. The revenue collection from water and sewerage charges was the major source of revenue of KWA. Collection of revenue from water and sewerage charges as share of total receipts increased from 18.38 per cent in 2008-09 to 24.58 per cent in 2012-13. At the same time, grant-in-aid from the State Government increased from 15.29 per cent in 2008-09 to 36.08 per cent of the total receipts in 2012-13.

Out of the total grant-in-aid of ₹ 2170.21 crore provided by the State Government during this period, ₹ 895.03 crore was for meeting non-plan expenditure as shown in **Appendix 3.5**. While Revenue expenditure was in the range of ₹ 586.87 crore (2010-11) and ₹ 739.43 crore (2008-09), revenue collection ranged between ₹ 223.87 crore (2008-09) and ₹ 384.49 crore (2012-13). Though there was steady increase in revenue collection during the period, it accounted for only 50 per cent of revenue expenditure. Grant-in-aid received from the State Government/GOI for non-plan expenditure increased from ₹ 123.26 crore in 2008-09 to ₹ 265.50 crore in 2012-13. Thus, KWA was depending heavily on Government for meeting revenue expenditure.

During 2008-09 to 2012-13, out of the total revenue expenditure of ₹ 3260.26 crore, the total establishment expenditure was ₹ 1614.93 crore (49.53 per cent) and other expenditure including O & M, power charges etc., was ₹ 1645.33 crore (50.47 per cent). In 2008-09, the establishment expenditure was ₹ 243.30 crore and it increased to ₹ 428.82 crore in 2012-13, showing an increase of 76.25 per cent. During this period, payment of power charges was ₹ 604.69 crore, which was 18.54 per cent of the total revenue expenditure.

Poor revenue collection mechanism led to an increase in arrears in collection of water charges from ₹ 340.77 crore in March 2011 to ₹ 532.83 crore in March 2013 as discussed in paragraph 3.5.4.2.

Audit noticed that plan funds amounting to ₹ 153.22 crore for the period 2008-09 to 2012-13 were diverted for revenue expenditure due to insufficiency of non-plan funds received from Government. Due to paucity of non-plan funds, the payment of electricity charges was in arrears and there

<sup>133</sup> Accounts of KWA finalised only up to 2007-08. The figures were adopted from the budget documents of KWA

was accumulated arrear of ₹ 377.34 crore as on 31 March 2013, which would be a heavy drain on the resources of KWA.

Government admitted (November 2013) the diversion and stated that the diverted amount would be recouped on receipt of sufficient non-plan grant.

### 3.5.3 System of control over expenditure

#### 3.5.3.1 Slow pace in utilisation of plan grant from Government

The Government provided grant to KWA for implementation of State plan schemes. The grant was released in instalments, subject to utilisation of grant already released. **Table 3.6** below gives the details of allotment, release and utilisation of State Government grant during the five year period 2008-13.

**Table 3.6: Allotment, release and utilisation of grant**

(₹ in crore)

| Year         | Budget Provision | Release               | Utilisation    | Percentage of utilisation with respect to Budget provision |
|--------------|------------------|-----------------------|----------------|--|
| 2008-09      | 260.00           | 79.00                 | 69.85          | 27   |
| 2009-10      | 351.61           | 351.61 <sup>134</sup> | 308.49         | 88   |
| 2010-11      | 371.20           | 280.86                | 184.08         | 50   |
| 2011-12      | 298.79           | 238.16                | 259.84         | 87   |
| 2012-13      | 353.82           | 335.55                | 348.68         | 99   |
| <b>Total</b> | <b>1635.42</b>   | <b>1285.18</b>        | <b>1170.94</b> | <b>72</b>  |

Source: Details of budget figures and progress reports collected from KWA

Audit noticed that while the percentage of utilisation of grant ranged between 27 and 99, the overall utilisation was 72 per cent of the total provision during the period. As a result, KWA surrendered ₹ 350.24 crore of the budget provision during this period due to slow progress/non-implementation of projects. KWA had also been diverting plan funds, as discussed in the paragraph 3.5.2 above.

#### 3.5.3.2 Delay in implementation of projects

KWA was operating 2214 water supply schemes as of December 2013. Audit noticed that projects which were taken up as early as in 1998 had not been completed even as of March 2013. As per information collected in respect of 14 schemes, delay in implementation of the projects ranged from 19 months to 12 years due to delay in identification/taking possession of land, obtaining permission from National Highway Authorities/Railways, power connection, etc., as detailed in **Appendix 3.6**. The investment of ₹ 142.85 crore on these projects, thus, remained unproductive. The delay in completion of the projects has denied benefits intended to the population covered under the schemes, besides loss of revenue through water charges to KWA.

#### 3.5.3.3 Energy conservation activities

KWA is one of the highest consumers of electricity in the State. Most of the water supply schemes were commissioned decades ago and the motor pumps installed in the schemes were partially worn out. It was envisaged by KWA that proper rehabilitation and timely maintenance works would help in power

<sup>134</sup> Includes ₹ 10 crore for drought relief works



saving by 50 per cent. As part of energy conservation measures, KWA formulated schemes to install high efficiency pumps and motors.

The Government released (2009-2013) grant of ₹ 5.15 crore to KWA, and NABARD sanctioned (2010-11) a loan of ₹ 28.98 crore for these activities. Audit noticed that KWA had utilised only ₹ 1.56 crore and ₹ 7.25 crore respectively out of State Government release and NABARD loan up to September 2013.

In view of the increasing annual electricity charges from ₹ 113.10 crore in 2008-09 to ₹ 184.00 crore in 2012-13 and accumulated arrears ₹ 377.34 crore, KWA should have devoted more attention for timely completion of such schemes with the funds already sanctioned by the Government and NABARD.

Government replied (November 2013) that installation of capacitors was required for avoiding power factor penalty and KWA was taking action to install capacitors from the balance funds available under the scheme.

### 3.5.4 Management of receipt and receivables

#### 3.5.4.1 Collection of water supply charge and sewerage charge

The KWA supplies potable water to domestic, non-domestic and industrial consumers. The supply of water to BPL families is free of cost. Section 15 (iii) of the Kerala Water Supply and Sewerage Act, 1986 empowers the KWA to levy water supply charge and sewerage charge from Government, Local Bodies, Institutions and individuals. The details of collection of revenue and collection efficiency during the five year period 2008-09 to 2012-13 are given in Table 3.7.

Table 3.7: Revenue collection during 2008-09 to 2012-13

(₹ in crore)

| Year         | Budget estimate | Demand                | Collection                   | Percentage of collection with reference to the demand |
|--------------|-----------------|-----------------------|------------------------------|---|
| 2008-09      | 174.29          | 259.09                | 222.78                       | 86  |
| 2009-10      | 262.40          | 359.78                | 313.54                       | 87  |
| 2010-11      | 337.47          | 349.88                | 351.71                       | 100   |
| 2011-12      | 356.85          | 521.01 <sup>135</sup> | 353.36                       | 68  |
| 2012-13      | 384.28          | 370.87                | 354.48                       | 96  |
| <b>Total</b> | <b>1515.29</b>  | <b>1860.63</b>        | <b>1595.87<sup>136</sup></b> |   |

Source: Budget documents and DCB

Audit noticed the following:

- According to Section 23 of the Act, the KWA shall not carry on its operations at a loss after taking credit of Government grant and shall so fix and adjust its rates and taxes (with previous approval of Government) to enable it to meet the cost of its operation, maintenance and debt service and achieve an economic return on its fixed assets. Since 1999, the water and sewerage charges were revised only in 2008. The KWA submitted proposals to Government in October 2011 and in

<sup>135</sup> Includes ₹ 150 crore demanded by KWA for one time settlement of dues from LSGIs

<sup>136</sup> Variation with column 7 of Table 3.5 was due to the non-inclusion of centage charges

October 2013 for revising the water and sewerage charges. The decision of Government on the proposal is still pending.

- Efficiency in collection of revenue was lacking as observed by the absence of prompt and regular billing and non-functioning of Revenue Monitoring Committee.
- Complete and accurate data of all consumers is a pre-requisite for raising proper demand. There was no computerised database of consumers in 56 out of the 78 sub divisions.
- According to Section 32 of the Act, KWA shall fix the cost of collection and disposal of waste water according to volume. Though this section enables the KWA to augment its revenue, this has not been invoked till date (September 2013). Instead, KWA was only collecting an initial one time charge of ₹ 1000 and ₹ 2000 from domestic and non-domestic consumers respectively. In the sewerage maintenance division, Thiruvananthapuram, during the period 2008-13 as against the total expenditure of ₹ 76.49 crore on maintenance of sewage works, the revenue generated through one time collection worked out to only ₹ 1.98 crore (2.58 per cent).

#### 3.5.4.2 Arrears in collection of revenue

The demand register maintained by the KWA did not exhibit year-wise arrears. The category-wise arrears in collection of water charges was as given in Table 3.8.

**Table 3.8: Arrears in collection of revenue**

| Category     | Arrears (₹ in crore) |                |                |
|--------------|----------------------|----------------|----------------|
|              | As on 31.03.11       | As on 31.03.12 | As on 31.03.13 |
| Domestic     | 69.15                | 86.46          | 92.38          |
| Non-domestic | 188.52               | 226.15         | 268.95         |
| Industrial   | 33.96                | 31.21          | 33.32          |
| Local Bodies | 49.14                | 156.85         | 138.18         |
| <b>Total</b> | <b>340.77</b>        | <b>500.67</b>  | <b>532.83</b>  |

Source: DCB statements

The outstanding arrears of water charges increased from ₹ 340.77 crore in March 2011 to ₹ 532.83 crore as on 31 March 2013. Non-domestic consumers, Government and Autonomous Bodies constituted major defaulters.

Audit noticed that the measures taken (issuing notices, initiating revenue recovery action) by the KWA to reduce the arrears were not effective as the arrears of revenue kept mounting year after year. Section 14 (c) of the Kerala Water Authority (Water Supply) Regulation 1991 empowers KWA to disconnect the water supply, if the water charges were not paid within the prescribed time limit. The accumulation and increase of arrears shows that the provisions in the Act were not enforced by KWA, especially against those consumers with long pending arrears.

About 18 per cent of the arrears as on 31 March 2013 were from Government Institutions and Autonomous Bodies. The system introduced by Government

for centralised payment of dues of these institutions with effect from January 2013 has not been implemented by the KWA so far.

The KWA replied (October 2013) that about 30 *per cent* of the arrears related to unidentified water connections and bad debts. It was also stated that claim had been lodged with Department of Local Self-Government for deducting water charges from the budget allocation made by Government.

The reply of the Authority is not acceptable as it is their responsibility to take steps to optimize recovery of arrears and to reduce bad debts. It is also their responsibility to locate the unidentified water connections to enable billing and collection.

#### 3.5.4.3 Non-Revenue Water

Non-Revenue Water (NRW) indicates the revenue receivable from water lost through leakage, theft, etc. Reduction in NRW to acceptable levels is vital for the financial sustainability of the water utility. According to the Ministry of Urban Development, 20 *per cent* of total production can be considered as a bench mark value of NRW. Water Audit conducted by KWA in Thiruvananthapuram division in May 2012 indicated NRW of 40.75 *per cent*. The estimated revenue loss on account of NRW in Thiruvananthapuram division alone worked out to ₹ 26.76 crore<sup>137</sup> in 2012-13.

In order to evaluate theft and leakage, KWA decided to constitute anti-theft squads in each Circle Office. However, squads were constituted so far only in two Circles out of nine Circles.

#### 3.5.4.4 Income generating activities

Section 23 of KWA Act permits KWA to establish income generating activities. The Government released to KWA ₹ 2.20 crore during 2008-09 to 2009-10 for establishing a Drinking Water Bottling unit at Aruvikkara in Thiruvananthapuram District, capable of generating a profit of ₹ 3.61 crore annually. The work awarded in May 2010 was terminated in July 2011 as the contractor did not turn up to commence the work.

The work was tendered five times but the work could not be awarded due to reasons like quoting of high rates, lack of experience, etc. The Superintending Engineer, PH Division, Thiruvananthapuram reported that the failure of the implementation of the scheme was on account of lack of professionally prepared project report. In June 2013, KWA entrusted to M/s. Kerala Industrial and Technical Consultancy Organisation (KITCO) the task to prepare a revised detailed project.

<sup>137</sup> Total demand : ₹ 76.40 crore  
 NRW : 40.75 *per cent*  
 Therefore, the demand of ₹ 76.40 crore represents 59.25 *per cent* of the total production  
 Total production :  $\frac{₹ 76.40 \text{ crore} \times 100}{59.25} = ₹ 128.94 \text{ crore}$

Bench mark value of NRW as per Ministry of Urban Development - 20 *per cent*  
 Loss of NRW after allowing bench mark value = 40.75 *per cent* - 20 *per cent* = 20.75 *per cent*  
 Loss = ₹ 128.94 crore x 20.75 *per cent*  
 = ₹ 26.76 crore

Government replied (November 2013) that the work would be tendered shortly.

### **3.5.5 Internal controls**

The main objective of internal control system is to gear up the supervisory controls and management system in the organisation to allow for proper coordination and control over implementation of various programmes. Systematic accounting, internal audit and statutory audit to pin point systemic or other deficiencies are the tools for effective internal control. Lapses in the internal control mechanism which had an impact on the financial control of the KWA are mentioned in the following paragraph:

#### **3.5.5.1 Delay in finalisation of accounts**

A better and prompt financial reporting system is required to have accurate financial data and information for proper decision making and management. KWA finalised the accounts only up to 2007-08. The delay in finalisation of accounts would affect the effective management of the resources of KWA besides, it being against the provisions of KWA Act (Section 29).

The KWA replied (October 2013) that the accounts up to 2011-12 would be completed within six months.

### **3.5.6 Conclusion**

The revenue collection was not sufficient to meet even 50 per cent of revenue expenditure, and KWA depended heavily on Government. Urgent management intervention is called for to initiate measures for revenue maximisation as well as for controlling non-plan revenue expenditure. The accumulated arrears of electricity charges to be paid as on March 2013 was ₹ 377.34 crore. Several projects taken up as early as 1998 had not been completed as of March 2013. Utilisation of funds under energy conservation activities was not adequate. There was an outstanding arrears of ₹ 532.83 crore towards water charges and major defaulters included Government departments and Autonomous Bodies. KWA started water audit of non-revenue water only recently and in Thiruvananthapuram division alone there was an annual revenue loss of ₹ 26.76 crore, on account of water lost from leakage, theft, etc.

## AUDIT OF TRANSACTIONS

### Failure of Oversight/Governance

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 3.6 Misappropriation of insurance money received under Rashtriya Swasthya Bima Yojana

Failure of the Superintendent to exercise the prescribed checks laid down in the financial rules/instructions led to fraudulent drawal of ₹ 9.05 lakh by the Lower Division Clerk from the funds received under Rashtriya Swasthya Bima Yojana in the Government General Hospital, Kasaragod.

In terms of Rule 92 (a) (i) and (ii) and Rule 253 of Kerala Treasury Code (KTC) Volume I, Government Officers who are required to receive and handle cash should maintain a cash book and all monetary transactions should be entered in the cash book and attested by the Head of the Office in token of the check. Further, the drawing officers should invariably keep the cheque book supplied to him in his personal custody. However, the failure of the Superintendent, Government General Hospital, Kasaragod in adhering to the codal provisions had facilitated fraudulent drawal and misappropriation of funds to the tune of ₹ 9.05 lakh as detailed below.

The Superintendent operated a Savings Bank (SB) Account in a public sector bank at Kasaragod to account receipt and expenditure under RSBY<sup>138</sup> scheme and a separate cash book was also maintained. All payments from the account, except transportation allowance to the patients up to ₹ 100, were to be made through bank cheques.

During audit scrutiny (December 2012) of transactions for the period from February 2010 to July 2012 it was found that 13 self-cheques amounting to ₹ 9.05 lakh were drawn from the SB account between August 2011 and July 2012, without sanction (*Appendix 3.7*). Government instructions stipulate that when amounts were drawn through self-cheques, it should be entered on the receipt side of the cash book and corresponding entries for payment should be made on the payment side of the cash book. It was noticed that out of 13 self-cheques drawn and encashed, in nine cases no entries were made on the receipts side of the cash book. At the same time, ₹ 9.05 lakh was shown in the payment side of the cash book either as cash payment or cheque payment without supporting vouchers in proof of payment. System deficiencies, which led to the fraudulent drawal were analysed in audit, and the following observations were made:

<sup>138</sup> Rashtriya Swasthya Bima Yojana, a centrally sponsored scheme meant for providing health insurance coverage to below poverty line people

- All the payments exceeding ₹ 100 should have been effected through cheques and this was not followed scrupulously.
- The Superintendent, while attesting the entries in the cash book failed to ensure that all the 13 self-cheques drawn were shown on the receipt side and payments against cash column on the payment side of the cash book.
- The attesting officer was required to attest all transactions in the cash book with respect to the counterfoils of cheque book, sanction proceedings, acquittance, etc., to ensure the correctness of the transactions. The deficiency in the attestation facilitated in fraudulent drawal of funds.
- The section clerk was permitted to keep the pass book, cheque books and cash book with him in violation of the provisions of KTC.

The Superintendent of the hospital confirmed (January 2013 ) the misappropriation of money and stated that the 13 cheques were not signed by him, but by the Lower Division Clerk (LDC), who was handling the RSBY accounts and who had forged his signature. The Superintendent added that a complaint in this regard had been lodged in the Police station, Kasaragod on receipt of the Inspection Report.

Thus, the deficiencies in exercising the proper checks by the Superintendent, in maintaining the accounts of RSBY as required under the codal provision had facilitated misappropriation of funds to the tune of ₹ 9.05 lakh.

The above issues were referred to Government in June 2013; their reply had not been received (January 2014).

### **3.7 Misappropriation of Hospital Development Committee funds**

Lack of proper supervisory checks led to misappropriation and manipulation of vouchers amounting to ₹ 18.70 lakh from the Hospital Development Committee funds by the Lower Division Clerk.

According to Rule 92 (a) (ii) of Kerala Treasury Code (KTC), Volume I, all monetary transactions should be entered in the cash book as soon as they occur and got attested by the head of office in token of check. Further, according to Rule 131(a) of KTC, the contents of cash chest shall be counted by the head of the office or under his orders by the Subordinate Gazetted Officer at the close of business on each working day and verified with cash book balance. A memorandum of verification shall be signed and dated by the Government servant who counted the cash.

In Government hospitals, separate accounts were to be maintained for Hospital Development Committee (HDC) funds and Rashtriya Swasthya Bima Yojana (RSBY) funds. The Superintendent of the hospital as the head of the Office was responsible for proper maintenance of all records relating to cash transaction. During the course of audit (July 2012) of the

accounts and register of HDC and RSBY in the Government General Hospital, Thiruvananthapuram for the period from February 2011 to July 2012, suspected defalcation of funds totalling ₹ 9.08 lakh was noticed as detailed below.

It was noticed in audit that the daily closing of HDC cash book was not checked and attested by the Superintendent or by the Lay Secretary and Treasurer<sup>139</sup> of the hospital from 18 January 2012. RSBY cash book had not been checked and attested during the period covered in audit. The physical verification of cash also had not been conducted on any date as prescribed in the codal provisions. At the instance of audit, the physical verification of HDC cash balance was conducted by the Lay Secretary and Treasurer on 28 July 2012. Following discrepancies were noticed:

- The closing of the cash book on 27 July 2012 showed that there was cash balance of ₹ 7.93 lakh. However, on physical verification it was found to be only ₹ 0.39 lakh. Subsequently, temporary advance receipts amounting to ₹ 2.21 lakh were produced to audit. Thus, there was net shortage of ₹ 5.33<sup>140</sup> lakh. The Lower Division Clerk (LDC) who handled the cash transactions or the superior officers in the hospital could not furnish the reasons for the shortage of ₹ 5.33 lakh.
- Based on the sanction issued by the Superintendent, three self-cheques were drawn from the RSBY and transferred to the HDC for a total amount of ₹ 3.75 lakh<sup>141</sup> as a stop gap arrangement. In the HDC cash book, these amounts except one<sup>142</sup> were shown as cash payment to the HDC bank account on the same dates without making corresponding entries on the receipt side of the cash book for the amounts received from RSBY. This resulted in reduced cash balance being shown on these dates.

Thus, a total amount of ₹ 9.08 lakh was suspected to be misappropriated from the HDC accounts and the matter was brought to the notice of the Director of Health Services (DHS) immediately. On the basis of this information, a special audit of the HDC account covering the period from 1 December 2011 to 28 February 2013 was conducted by the internal audit wing of DHS. The special audit report concluded that there was misappropriation of ₹ 4.84 lakh<sup>143</sup> and raised doubts about the genuineness of vouchers amounting to ₹ 13.86 lakh. Based on the Special Audit Report, DHS suspended (April 2013) the LDC for misappropriation of Government money and the Lay Secretary and Treasurer for supervisory lapses, which enabled the LDC for misappropriation and manipulation of vouchers.

<sup>139</sup> The Lay Secretary and Treasurer is the administrative head and also the drawing and disbursing officer of the hospital

<sup>140</sup> ₹ 7.93 lakh – (₹ 0.39 lakh + ₹ 2.21 lakh)

<sup>141</sup> 12 April 2012 (₹ one lakh), 12 May 2012 (₹ 1.50 lakh) and 13 June 2012 (₹ 1.25 lakh)

<sup>142</sup> ₹ 1.50 lakh was shown as paid from the HDC cash book on 11 May 2012

<sup>143</sup> Out of ₹ 5.33 lakh pointed out by Audit in the first case, the department admitted vouchers worth ₹ 0.49 lakh produced by the hospital subsequently

Each entry of receipt and payment made in the cash book should have been checked by the officers during attestation with reference to the counter foils of cheque books, bills passed by the sanctioning authority, acquittance roll, etc. This would have helped in immediate detection of any discrepancy. Thus, due to non-observance of checks as prescribed in the codal provision, there was misappropriation and manipulation of vouchers amounting to ₹ 18.70 lakh in the hospital.

During discussion, the Secretary, Health and Family Welfare Department stated (October 2013) that the Superintendents of hospitals were given additional responsibilities in the administrative side also and they might not get sufficient time to devote attention to attestation of cash book, verification of cash balance, etc., regularly, which resulted in misappropriation of HDC funds by the subordinate staff in some instances. Government issued (October 2013) instructions to all field officers to follow the codal provisions in the maintenance of HDC and RSBY accounts.

The above issues were referred to Government in September 2013; their reply had not been received (January 2014).

## HOME DEPARTMENT

### 3.8 Non-utilisation of Video Conferencing facilities in the Prisons/Courts

**Video Conferencing facilities created at the cost of ₹ 1.69 crore in Kottayam, Ernakulam and Thrissur districts for enabling the courts to extend remand/grant bails without physically producing the prisoners, remained unutilised due to non-maintenance of Video Conferencing system and defects in connectivity.**

Government accorded (June 2005<sup>144</sup> and March 2007<sup>145</sup>) administrative sanction for installing Video Conferencing (VC) facilities in the Prisons and various Courts in six districts of Thiruvananthapuram, Kannur, Thrissur, Ernakulam, Kottayam and Kozhikode at an estimated cost of ₹ 2.65 crore. The objective of setting up of VC facilities was to enable the courts to extend remand/grant bail without physically producing the prisoners. This was expected to reduce the hardships to the prisoners as in several cases, due to the non-availability of police escorts, the prisoners could not be produced before the court in time, resulting in undue delay during the trial process/disposal of cases. Further, the services of police personnel used for escort duty to the prisoners could be utilised for other normal duties like law and order and investigation. It was also estimated that there would be savings of about ₹ five crore annually on account of travelling allowance, food expenses, etc., to the police personnel.

<sup>144</sup> Thiruvananthapuram: ₹ 64.88 lakh

<sup>145</sup> Ernakulam, Kannur, Kottayam, Kozhikode and Thrissur: ₹199.71 lakh



The supply and installation of VC equipment was entrusted with the National Informatics Centre (NIC), and creation of infrastructure facilities, including civil and electrical works in the Prisons/Courts, was entrusted to the Kerala Police Housing Construction Corporation (KPHCC). The connectivity for Video Conferencing was given to the Bharat Sanchar Nigam Limited (BSNL).

The Department established VC facilities in prisons and courts situated in 36 locations in four districts<sup>146</sup> during June – August 2010 at a total cost of ₹ 2.39 crore. Audit scrutiny (March 2013) of the records of the prison headquarters relating to the implementation of the scheme revealed that VC facilities were functioning only in Thiruvananthapuram district. In the other three districts, VC facilities created at the cost of ₹ 1.69 crore were used for short periods only after commissioning and the systems were lying idle thereafter. The details are shown in **Appendix 3.8**.

Following observations are made:

- In 15 studios, VC systems /UPS/ battery was not working and in 13 studios, failure of ISDN connectivity was also stated to be a reason for keeping the systems in unutilised condition.
- Supply order for 23 VC systems were made in December 2007 even before ensuring that sites for installation of the systems were ready and coming into effect of the notification for amending Criminal Procedure Code enabling production of prisoners through VC, which came into effect from 31 December 2009. As the sites were not ready in most of the locations, the VC systems supplied were kept in the prisons without installation for about two years.
- In Kottayam District, BSNL reported (November 2011) that ISDN facilities were not providing satisfactory results and became faulty due to earthing problems, lightning, etc., and suggested to change connectivity from ISDN to Virtually Private Network (VPN) connection. But sanction from Government for the same was not received as of September 2013.
- No action was taken by the department for nominating Studios-in charge for the smooth functioning of the systems, as suggested by NIC.

There was failure on the part of the department in implementing the scheme in a prudent manner so as to run the systems smoothly. There was also no concerted/purposive action for repairing the defective systems with least cost and speedy execution. Thus, Video conferencing facilities created at the cost of ₹ 1.69 crore was remaining idle in the prisons/ courts without serving the intended purpose.

The Director General of Police (DGP), prison stated (October 2013) that transfer of trained staff from certain courts, mishandling of equipment, technical snag due to non-use of the systems, etc., hindered the implementation of the scheme in a fruitful manner. The DGP further replied

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<sup>146</sup> Ernakulam, Kottayam, Thiruvananthapuram and Thrissur

that for the success of the scheme, proper maintenance of studios, equipment and connectivity were required and steps would be taken to rectify the defects in order to function the studios within three months.

The above issues were referred to Government in September 2013; their reply had not been received (January 2014).

## REVENUE DEPARTMENT

### 3.9 Unfruitful expenditure on Early Warning Systems

**Equipment procured at the cost of ₹ 2.34 crore for Very High Frequency radio-based communication for enforcing effective Early Warning System installed at Village Offices, Taluk Offices and District Collectorates were lying idle mainly due to improper installation and non-execution of repair works within the guarantee period by the supplier.**

In times of natural calamities like floods, cyclonic storms or fire, the usual mode of communication like telephone, mobile, etc., might not work due to disruption in communication lines or the systems might be lost in the calamity. In order to strengthen the disaster preparedness and emergency response capabilities of district administration, the Government decided to install Very High Frequency (VHF) radio-based communication for enforcing an effective Early Warning System.

The Government accorded (May 2009/October 2009) sanctions for installation of Early Warning Systems (EWS) in 379 locations in all the districts<sup>147</sup> of the State at a cost of ₹ 2.76<sup>148</sup> crore under United Nations Development Programme-Disaster Risk Management(UNDP-DRM) and Tsunami Emergency Assistance Project (TEAP). The work of supply and installation of the EWSs worth ₹ 2.65<sup>149</sup> crore under both schemes was awarded to M/s Linkwell Electronics Private Limited (firm) adopting tender system. The firm supplied and installed (October 2009 - April 2010) the EWSs in 379<sup>150</sup> locations in the State. Purchase of SMF battery with charger for 205 locations was made from M/s IGA Tech Industrial Electronics (P) Ltd. by State Disaster Management Authority<sup>151</sup> (SDMA) at a cost of ₹ 0.25 crore.

Scrutiny (December 2012 - February 2013) of records in the Revenue (Disaster Management) Department, SDMA and in four District Collectorates of Palakkad, Malappuram, Alappuzha and Ernakulam revealed that the EWS equipment installed in 68 out of 109 locations in the above districts were not functioning. In view of the alarming position, audit collected information for

<sup>147</sup> District Collectorates, Taluk Offices and Village Offices

<sup>148</sup> ₹ 1.14 crore under United Nations Development Programme Disaster Risk Management (UNDP-DRM) and savings of ₹ 1.62 crore under Tsunami Emergency Assistance Project (TEAP)

<sup>149</sup> ₹ 1.28 crore under UNDP – DRM + ₹ 1.37 crore under TEAP

<sup>150</sup> Collectorates (14), Revenue Divisional Offices (2), Taluk Offices (63), Village Offices (295), State Offices (5) : Total 379

<sup>151</sup> State Disaster Management Authority was formed as stipulated in the National Disaster Management Authority Act of 2005. It has a State Executive Committee. Formulation of a State policy, identification of disaster-prone areas and planning of disaster management programmes incorporating the services of various departments comes under the purview of the State Executive Committee

the entire state and it was seen that EWS equipment installed in 289 out of the 351<sup>152</sup> locations (82 *per cent*) amounting to ₹ 2.34 crore<sup>153</sup> were not functioning as on March 2013 (**Appendix 3.9**). Audit found that the systems became defective immediately after installation in most of the cases, and in some cases, after working for a few months, the reasons for which are discussed below:

#### ***Defective installation***

There was no supervision by the department for the installation works made by the supplier. The firm installed the Public Address (PA) systems on the branches of trees, instead of installing it in full length GI Pipes, or the antenna on lighting posts, instead of providing proper clamping in building wall. As a result, in most of the places, the PA systems and antenna fell down in heavy rain and wind. Based on the complaints received from the Tahsildars and Village Officers of the breakdown of the communication systems due to defects in antenna, PA systems, wireless set, signal system, low battery charge, etc., the District Collectors reported the matter to SDMA and requested for carrying out the repairs.

#### ***Repairs and maintenance***

According to the terms of agreement (May 2009 and October 2009) , the firm was responsible for ensuring proper functioning of equipment during the guarantee period failing which the firm was liable to pay liquidated damages. The equipment were found not functioning during the guarantee period<sup>154</sup> itself. Though the SDMA instructed (June 2010) the firm to repair the defective equipment in all the districts by 30 June 2010, the response of the firm was poor and complaints were made by almost all District Collectors about the negligence of the firm in repairing the system. But Government took no action to impose liquidated damages on the firm for defective installation and non-execution of repair works. It was also seen that final payment amounting to ₹ 12.82 lakh was made to the firm in November 2011.

#### ***Absence of trained staff***

Trained and experienced personnel were required for operating the system. Training was given (May 2010) to selected revenue staff of all districts for handling the EWS equipment. No action was, however, taken by the Department to give training to other staff when the trained personnel were promoted or transferred. As per information obtained (March 2013) from 13 out of 14 districts, no trained personnel were attached with the EWS in nine<sup>155</sup> districts.

SDMA issued Tsunami warning on 11 April 2012 to nine<sup>156</sup> coastal districts. But warning could be disseminated to the public through the EWS only in

<sup>152</sup> As per replies received from 13 districts

<sup>153</sup> 289 units x ₹ 80,956.36 per unit = ₹ 2.34 crore

<sup>154</sup> As per installation reports, Equipments purchased under UNDP-DRM programme and TEAP had warranty till October 2010-January 2011 and January 2011-April 2011 respectively

<sup>155</sup> Alappuzha, Kannur, Kasaragod, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram, Thrissur & Wayanad

<sup>156</sup> Alappuzha, Ernakulam, Kannur, Kasaragod, Kollam, Kozhikode, Malapuram, Thiruvananthapuram and Thrissur

Ernakulam and Kollam districts. In the remaining seven districts, services of EWSs could not be utilised and only conventional methods were followed. Based on the requirement of SDMA, the Institute of Land and Disaster Management (ILDm) conducted an assessment of the EWSs in the State. ILDM proposed (October 2012) to SDMA a project for revamping VHF radio communication system at a total cost of ₹1.10 crore, which included creation of Telecommunication Wing, Maintenance Station, Training and replacing of damaged equipment. However, SDMA had not taken any decision so far.

Thus, due to failure of the department in ensuring proper installation, maintenance of the EWSs and providing trained staff, equipment costing ₹ 2.34 crore were lying idle in the places of installation. The objective of issuing early warnings through VHF to the public in the event of calamities and failure of other means of communication systems, therefore, could not be achieved.

The Secretary, SDMA stated (October 2013) that revamping the system by incurring such huge expenditure might not be viable and hence alternative measures such as handing over or repair and maintenance of the systems to the police communication wing were identified. It was also stated that the matter would be placed in the next SDMA meeting.

The above issues were referred to Government in September 2013; their reply had not been received (January 2014).

## **WATER RESOURCE DEPARTMENT**

### **3.10 Failure to implement Jalamani Programme for providing safe drinking water facility to rural school children**

**Despite availability of funds, Jalamani programme, specifically intended for improving the supply of quality of potable water to the students of rural schools, could not be implemented even after four years due to lack of co-ordination among various agencies.**

Jalamani programme, a 100 per cent Centrally Sponsored Scheme (CSS), was launched (2008) by Government of India (GOI) with the objective of providing potable and adequate quantity of drinking water to students in rural schools by installing a standalone water purification system. GOI sanctioned (January 2009) ₹ 2.56 crore for installation of water purification system in 1282 schools in the State and the entire amount was released to the State Government/Kerala Water Authority (KWA) in March 2009.

On receipt of the funds, in a meeting convened (March 2009) for implementation of the project by Additional Chief Secretary with the Secretary General Education Department, Managing Director KWA, State Project Director Sarva Siksha Abhiyan (SSA) and the Director of Public Instruction, it was decided that the General Education Department (GED) would identify 1282 rural schools on or before 15 April 2009 and report to KWA, the nodal agency for implementation of the project. The GED did not furnish the required details despite repeated efforts made by KWA.

Meanwhile, a State Level Implementation Committee (SLIC) under the chairmanship of Additional Chief Secretary, Water Resources to review/monitor the pace of implementation and a Technical Committee under the Chairmanship of Secretary, Water Resources to finalise appropriate system and to invite tenders were constituted (June 2009) in accordance with the scheme guidelines. As the list of schools with the required details was not furnished by GED, KWA identified 502 schools for the implementation of the scheme in the first phase and the list was approved (March 2010) by the Technical committee.

Tenders were invited (August 2010) and supply orders (January 2011) were issued to two firms viz. M/s. Membrane Filters (India) Pvt. Ltd and M/s. Amara Aqua Systems for the installation of water purifiers in 396 and 106 schools respectively. But, the second firm did not respond to the work order.

M/s. Membrane Filters completed (April 2012) installation work in 388 schools. Against a release of ₹ 1.44 crore, the KWA incurred an expenditure of ₹ 0.27 crore and a balance of ₹ 1.17 crore is lying with KWA. In addition to the above, an unspent balance of ₹ 1.12 crore lies with the State.

For the second phase KWA reminded (January 2011) the agency implementing the SSA to furnish the list of the remaining schools. However, they provided the list only in December 2011. Tenders were invited for installing the purification system in 886 rural schools (March 2012). The tender was cancelled (February 2013) as only one firm participated in the tender and their systems were not having the stipulated efficiency. After deliberations, the High level Technical committee of the KWA short listed (July 2013) three firms for the second phase and systems were installed by M/s Eureka Forbes in 148 schools (January 2014).

Audit noticed that the SLIC failed to co-ordinate the various implementing agencies such as GED, SSA and KWA and monitor the pace of implementation of the scheme. There were delay on the part of GED to provide the list of needy schools and KWA to identify the best water purification system in the market. Thus, the laxity on the part of SLIC, GED and KWA resulted in undue delay in implementation of a 100 per cent CSS for more than four years, besides depriving the benefit of potable drinking water facility to the students in rural areas, despite the availability of sufficient funds.

Government stated (August 2013) that earnest effort were being taken to utilise the funds allotted by GOI for implementation of Jalamani programme and it would be completed within six months and thereby students in rural schools would have access to safe drinking water.

The fact remains that the systems were installed only in 536<sup>157</sup> out of the 1282 rural schools envisaged.

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<sup>157</sup> 388+148 = 536

### 3.11 Inordinate delay in implementation of a Water Supply Scheme

**Formulation of a water supply scheme by Kerala Water Authority without consulting Panchayath authorities resulted in an unfruitful expenditure of ₹ 37.83 crore.**

Government accorded sanction (September 2007) for Water Supply Scheme to Payyannur Municipality under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) at an estimated cost of ₹ 40.19 crore. The amount was to be shared by the Government of India, State Government and Payyannur Municipality in the ratio 80:10:10. The scheme was intended to benefit a population of 95,009 in Payyannur Municipality and was scheduled to be completed by December 2010. While water for the scheme was to be drawn from the upstream of Kuppam river at Mangara in Chapparappadavu Panchayath, the beneficiaries were the people of Payyannur Municipality.

Tenders were invited by dividing the scheme into six<sup>158</sup> packages. All the packages, except package IV, were started in March 2009. The package IV was not commenced as the tenders were cancelled due to quoting of higher rates. The work of package I (Intake well-cum Pump house) and package II (Treatment plant) which commenced in March 2009 were forced to stop in June/November 2009 after incurring an expenditure of ₹ 6.48 crore due to public protest against the construction of an open well at the source fearing drying up of river water and salinity intrusion. The works on packages III and V, however, were continued and an expenditure of ₹ 31.35 crore was incurred (December 2013).

A series of discussions with the local people at various levels were held and a consensus was reached in July 2012 to change the source to Kadumkayam, about two kilometers downstream. It was also decided to construct a regulator-cum-bridge at Kattampally Kadavu to prevent salinity intrusion. However, it was not materialised. It was also noticed that the Secretary of the Panchayath warned (October 2013) the Executive Engineer, Kannur Division, KWA against resuming construction in that area. The entire work remained standstill after incurring an expenditure of ₹ 37.83 crore.

Audit noticed that Kerala Water Authority (KWA) had not done any consultation with the Panchayath authorities where the source of water is situated. As the source of water and the beneficiaries of the scheme were under two different Local Self Government Institutions, the lack of consultation between KWA and the Panchayath resulted in difficulties in implementing the scheme.

Government stated (August 2013) that the progress of the work was affected due to protest from the local people which was totally unexpected. It was also stated that the practice of getting prior permission from the Panchayath

<sup>158</sup> Package I: Intake well cum pump house and pumping main; Package II: 14 MLD water treatment plant and GL sump; Package III: Gravity Main; Package IV: Construction of Weirs; Package V: Distribution network; Package VI: Supply and erection of generator, transformers and pump set and road restoration works

concerned, where intake structure was located in rivers, flowing through different Panchayaths would be a major hurdle in planning water supply projects. Government added that the Administrative Sanction was accorded by the Local Self-Government Department and hence no separate discussion was conducted with the Panchayath while preparing the Detailed Engineering Report.

However, the fact remains that, due to lack of consultation prior to firming up the source which is the most critical part of the scheme, the expenditure of ₹ 37.83 crore incurred remains unproductive. The possibility of deriving intended benefit out of the project in the near future appears to be remote in view of the Panchayath's stiff resistance.

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