CHAPTER III
PERFORMANCE AUDIT

GENERAL EDUCATION DEPARTMENT

3.1 National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme)

Highlights

The National Programme of Nutritional Support to Primary Education (mid-day meal scheme) was launched by Government of India (GOI) in August 1995 with the objective of boosting the universalisation of primary education by increasing enrolment, retention and attendance. The scheme provides for supply of cooked food to students in classes I to V for which GOI supplies rice free of cost through Food Corporation of India (FCI). In Kerala the students of classes I to VII (VIII from January 2008) are covered under the scheme and against 100 gram of rice 60 gram of rice and 30 gram of pulses are provided to each student. The review revealed non-utilisation of Central assistance, delay in release of cooking charges to schools, wrong reporting of enrolment figures to GOI for procuring/getting excess rice which resulted in huge closing stock with Kerala State Civil Supplies Corporation (KSCSC), excess transportation charges, diversion of rice, etc.

- **The enrolment figures reported to GOI for getting assistance under the scheme was inflated which resulted in allotment of rice in excess of requirement.**

(Paragraph 3.1.8.1)

- **Substantial stock of mid-day meal rice remained with KSCSC at the end of each year during the period 2003-08. Out of this, 1453.18 MT of rice was converted as ordinary rice and sold by KSCSC through its outlets. This has not been replenished.**

(Paragraph 3.1.8.2)

- **The transportation charges paid to KSCSC by State Government was on the higher side compared to the charges paid by it to its transporting contractors. Similarly the cost of pulses supplied to Government by KSCSC was also higher than the price at which these are sold to public through their outlets.**

(Paragraphs 3.1.8.3 and 3.1.8.4)

- **Out of Rs 11.20 crore released by GOI for constructing kitchen-cum-store, replacement of cooking devices and strengthening management, monitoring and evaluation, Rs 10.97 crore remained unutilised as of June 2008.**

(Paragraph 3.1.7.2)

- **There was delay ranging from two to twelve months in release of cooking charges to schools.**

(Paragraph 3.1.7.4)

- **Monitoring committees prescribed in GOI guidelines were either not constituted or were not meeting as envisaged. Monthly and quarterly progress reports were not sent to GOI by DPI during 2003-08.**

(Paragraphs 3.1.11.1 and 3.1.11.2)

- **No Management Information System was put in place to get feedback on the scheme.**

(Paragraph 3.1.11.3)

3.1.1 Introduction

The National Programme of Nutritional Support to Primary Education (Mid - day Meal Scheme) was launched by Government of India (GOI) as a Centrally Sponsored Scheme on 15 August 1995. The scheme was intended to boost the universalisation of primary education by increasing enrolment, retention, attendance with simultaneous impact on the nutritional status of students. The scheme covered students in classes I to V studying in Government/aided schools and AIE* Centres and provided for cooked food equivalent to 100 gram of rice per child per school day for which GOI provided rice free of cost to the State through Food Corporation of India (FCI). GOI also provided assistance for ancillary expenses like cooking cost, transportation, management, monitoring and evaluation at prescribed rates.

The State programme already in force was merged (August 1995) with the Central Scheme introduced from 1995. While the Central scheme covered all students of class I to V, in Kerala students of class I to VII (VIII from January 2008) were covered. Though the Central guidelines made the scheme mandatory for all students of class I to V, in Kerala only those who opted for the scheme were provided mid-day meal. The State provided 60 grams of rice and 30 grams of pulses to each student opting for the scheme and used the surplus out of the rice allotted by Government of India for providing mid-day meals to students of classes VI, VII and VIII. The cost of pulses were met from the State budget.

3.1.2 Organisational set up

The Director of Public Instruction (DPI) is the Nodal Officer for the scheme. At the district level, there is a Noon Meal Supervisor. Assistant Educational Officers (AEOs) exercise control over schools under their jurisdiction. At school level, the scheme is implemented by a Committee headed by the Headmaster and members from Parent Teachers Association. Funds to meet the cost of cooking are released to the Local Bodies** which reimburse the amount to the schools. Foodgrains released by the FCI are lifted by the Kerala State Civil Supplies Corporation (KSCSC) and the schools collected their requirements from the nearby retail outlets of KSCSC.

* Alternative Innovative Education
** Village Panchayats, District Panchayats, Municipalities and Corporations

3.1.3 Audit Objectives

The objectives of the performance audit were to ascertain whether

- Adequate funds were provided and utilised economically and efficiently and a proper system existed for the timely transfer of funds provided for various components of the scheme,
- State Government implemented the programme through well-designed implementation procedures, defined the norms of expenditure, contributed its share and instituted efficient reporting, inspection and monitoring system,
- Foodgrains supplied to the schools were of good quality, were supplied as per requirements and the system of providing cooked food was efficient and effective to ensure that food of prescribed calorific value was supplied on all school days,
- The scheme has achieved its objectives of improving enrolment, attendance and retention, enhancement of learning levels of the children and improving the nutritional status of students and
- The internal controls in the State nodal department were efficient and ensured adequate and timely inputs and a system of timely and reliable programme information.

3.1.4 Audit Criteria

- Guidelines of the scheme issued by Government of India
- Performance indicators like enrolment, attendance, retention and nutritional status
- Orders issued by Government of Kerala for implementation of the scheme
- Monitoring system prescribed for the scheme

3.1.5 Audit Coverage

A review of the implementation of the scheme was included in Paragraph 3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil), Government of Kerala. After examining the para, the Committee on Public Accounts recommended (July 2007) that

(i) proper records showing the details of actual number of feeding days, total number of participants, etc., should be maintained and scrutinised by DPI,

(ii) the Department should conduct periodical reviews to evaluate the programme by instituting committees at State, District, Block, Panchayat and School level,

(iii) the Department should see that funds for the mid-day meal programme are released by Grama Panchayats well in advance,

(iv) health programmes should be conducted in each school with the help of Health Department under the auspices of District level officers.

No Action Taken Note has been furnished to the Committee by Government (October 2008).

A Performance Audit of the implementation of the scheme covering the period 2003-08 was conducted from July 2007 to July 2008. Out of the 14 districts in the State, seven in four strata[•] were selected for audit using circular systematic sampling method. Within each district, 20 schools (14 rural and 6 urban) were selected using Simple Random Sampling Without Replacement.

3.1.6 Audit Methodology

An entry conference was conducted with the Secretary, General Education Department in July 2007 in which the audit objectives and criteria were explained. Data relating to various components and inputs were collected through field visits to AEO offices, selected schools and offices of KSCSC. Questionnaires were sent to Deputy Directors of Education (DDEs), AEOs and schools to collect information about implementation of the scheme. Surprise inspection of 14 selected schools was also conducted in the presence of departmental officers. An exit conference was conducted with the Secretary, General Education Department in August 2008 during which the audit findings and recommendations were discussed and response of Government obtained.

Audit findings

Audit scrutiny revealed various deficiencies in implementation of the scheme as detailed below:

3.1.7 Funding

3.1.7.1 Central assistance for the scheme

GOI supplies rice free of cost to the State through FCI. GOI also provides cooking cost of Rupee one per child per school day, transportation cost at Rs 50 per quintal (enhanced to Rs 75 per quintal from September 2004) and management, monitoring and evaluation cost at 1.8 *per cent* of the cost of foodgrains, transportation cost and cooking cost. The cooking cost was enhanced in June 2006 to Rs 1.50 per child per school day in cases where the State Government contributed 50 paise[$]. GOI also provided assistance to construct kitchen-cum-store at Rs 60,000 per school and to provide and replace kitchen devices at an average cost of Rs 5,000 per school. The Central assistance provided to the State during 2003-08 was as follows:

[•]

Stratum I -	Capital District	- Thiruvananthapuram
Stratum II -	Drought affected	- Pathanamthitta
Stratum III -	Districts with less literacy rate than the State average	- Malappuram, Kasaragod, Idukki
Stratum IV -	Districts with literacy rate higher than the State average	- Alappuzha, Kozhikode

[$] Cooking cost includes cooking charges, providing other ingredients such as pulses, vegetables, condiments, etc., and fuel.

Table 1: Central assistance received in kind and cash

(Rupees in crore)

Year	Quantity of rice		Other assistance# in cash	Total
	Lifted(MT)	Cost at Rs 5,650/MT		
2003-04	43,330.20	24.48	2.35	26.83
2004-05	42,327.08	23.91	28.50	52.41
2005-06	28,223.60	15.95	30.48	46.43
2006-07	26,823.50	15.16	47.88	63.04
2007-08	38,185.86	21.58	68.22	89.80
Total	**1,78,890.24**	**101.08**	**177.43@**	**278.51**

Source: Sanctions from GOI and KSCSC

3.1.7.2 Non-utilisation and delay in utilisation of GOI assistance

Out of Rs 9.75 crore released by GOI during 2006-08 for construction of kitchen-cum-store and for providing utensils only Rs 2.71 crore was released to schools so far

GOI released (November 2006-February 2007) to Government of Kerala Rs 2.71 crore for construction of kitchen-cum-store in 451 schools and the same was released to the schools only during February/March 2008. Also, Rupees five crore released by GOI in 2007-08 for construction of kitchen-cum-store in 834 schools and Rs 2.04 crore released during 2006-08 for providing and replacement of cooking devices and utensils in 4,079 schools had not been released to the schools as of June 2008 and the amount was kept in Government accounts. As a result, 1,285 schools were deprived of the facility of kitchen-cum-store and in 4,079 schools cooking devices and utensils were not provided. No action was taken to identify the schools where facilities were required and hence the amount could not be utilised.

There was also delay in utilisation of assistance provided for strengthening management, monitoring and evaluation. Out of Rs 1.45 crore received during 2005-08, only Rs 22.52 lakh had been spent as of June 2008. Thus, Rs 10.97 crore received was not used for the scheme.

3.1.7.3 Excess release of funds

Release of funds towards cooking charges to High Schools was far in excess of requirements

In view of extension of the mid-day meal scheme (MDMS) to students of Standard VIII, State Government released (March 2008) Rs 6.85 crore on the basis of feeding strength to 14 DDEs towards cooking charges for distribution to the High Schools. However, in 14 Offices of AEO test checked it was found that the funds released were far in excess of requirements as the meals could be provided only for limited days of the remaining period of the academic year and only Rs 4.24 lakh (out of Rs 57.85 lakh released) was actually spent by the schools. Out of the balance, Rs 23.34 lakh was kept in bank account, Rs 2.71 lakh was retained in hand and Rs 1.07 lakh was diverted for meeting cooking cost of UP[$] Schools and the remaining amount (Rs 26.49 lakh) was surrendered.

3.1.7.4 Release of cooking charges to schools

As per GOI guidelines, the implementation of the scheme, as far as possible, should be entrusted with Panchyati Raj Institutions. In Kerala, LSGIs are not

[#] Includes cooking cost, transportation cost, assistance for construction of kitchen-cum-store, for providing cooking devices and strengthening management, monitoring and evaluation.

[@] includes Rs 4.98 crore released by GOI direct to KSCSC for transportation

[$] Upper Primary Schools

involved in the implementation of the scheme. But cooking charges are released by the DPI to the schools through the LSGIs.

Delay ranging from two to twelve months was noticed in release of cooking charges to schools

As of March 2008, 93 schools (out of 140) reported that Rs 17.16 lakh relating to 2005-08 had not been received. It was also found that even the cooking cost released to the LSGIs for payment to the schools had been retained by them. The details furnished by 77 LSGIs showed that Rs 3.07 crore was retained by them as of March 2008. There were delays ranging from two to twelve months in release of cooking charges to schools due to belated release of funds by Government and the lack of interest shown by LSGIs in releasing the funds to the schools in time. As GOI released funds for cooking cost in advance, there was no justification in delaying the payment to schools. Despite recommendation of the PAC to release funds to the schools in advance, the situation had not improved.

Due to non-receipt of funds there was no interruption in providing meals as the funds were advanced by PTA/teachers.

3.1.8 Implementation

3.1.8.1 Enrolment

Enrolment figures reported to GOI for getting assistance were inflated

There was no system in the DPI to compile and consolidate the data on enrolment of students for the scheme received from field offices. As a result, inflated figures were reported to GOI resulting in more assistance than entitlement. The following irregularities were noticed:

Due to excess reporting of enrolment figures 22,273 quintals of rice were received in excess from GOI in five districts

- Data received by Audit for 2005-08 in respect of the five districts[#] (out of 14 districts) revealed that the number of students in classes I to V enrolled for the scheme reported by DPI to GOI was in excess of that reported by DDEs to DPI by 1,11,365. The details of enrolment for the scheme as reported by DDEs and that communicated to GOI are given in **Appendix XXVIII**. Consequently 22,273 quintals[*] of rice (cost: Rs 1.26 crore) was received by the State in excess of entitlement in these five districts.
- During 2002-03 and 2003-04 the number of students reported to GOI was higher than even the number of students enrolled in classes I to V of Government/Aided schools as shown below.

Table 2: Excess reporting of number of students

Year	Enrolment	Number reported to GOI	Excess reported
2002-03	22,05,523	23,55,686	1,50,163
2003-04	21,63,763	21,66,510	2,747

Source: Educational statistics and GOI sanctions

As only those students opting for the scheme were provided with food, the actual number coming under the scheme would be even less than the numbers enrolled.

- For 2006-07 against 20.29 lakh reported to GOI for the entire State the actual number as per records of DPI was only 18.42 lakh.

[#] Pathanamthitta, Kottayam, Malappuram, Kozhikode and Kasargod.

[*] $\frac{1,11,365 \times 100 \times 200}{1,000 \times 100}$ = 22,273 quintals x Rs 565 = Rs 1.26 crore

- For 2007-08 the total number reported to GOI included 74,350 children studying in AIE Centres. But the actual number of children in AIE centres during the year as per data available with the controlling office of Sarva Shiksha Abhayan Project was only 20,791. This resulted in excess allotment and lifting of 1,071 MT of rice costing Rs 60.52 lakh from godown of FCI.
- Reasons for such inflation of enrolment could not be assessed by Audit since there was no records showing justification for the same.

3.1.8.2 Supply of rice by GOI and its utilisation

The details of quantity of rice allotted by GOI, lifted by State Government and the stock available with KSCSC in each of the years 2003-08 are given below:

Table 3: Quantity of rice allotted, lifted and closing stock

Year	Quantity of rice (in MT)		
	Allotted by GOI	Lifted by KSCSC	Closing stock with KSCSC
2003-04	43,330.20	43,330.20	18,960.20
2004-05	42,327.08	42,327.08	21,768.85
2005-06	28,223.60	28,223.60	6,255.20
2006-07	32,308.20	26,823.50	5,424.12
2007-08	38,189.82	38,185.86	10,417.43

Source: Sanctions from GOI and details of KSCSC

From above data it is evident that the lifting of rice was in excess of actual requirements, this resulted in accumulation of stock with the KSCSC at the end of the concerned year.

The rice allotted for the scheme was also not fully used for the scheme due to various factors like lesser number of students taking meals, shortfall in school working days, reduced quantity of rice issued per student, etc. Audit scrutiny revealed that rice allotted by GOI was diverted for various purposes as shown below:

During 2003-07, 1,453.18 MT of MDM rice costing Rs 82.10 lakh converted and sold by KSCSC has not been replenished

- At the end of every school year, the balance mid-day meal (MDM) rice available with KSCSC was sold through KSCSC outlets to avoid deterioration of quality. The quantity so sold was reconverted to MDM rice at the beginning of the next academic year. During 2003-07, 1,453.18 MT, the quantity converted and sold by KSCSC had not been reconverted to MDMS rice from PDS. The cost of rice so diverted at the issue rate of Rs 5,650 per MT amounted to Rs 82.10 lakh.

KSCSC sold 18,684 kg of MDM rice to Public during 2007-08

- During 2007-08, Government permitted the KSCSC to sell the surplus quantity of MDM rice to the public at Rs 14 per kg. As per the information collected from Regional Offices of KSCSC, 18,684 kg of rice was sold to public. This rice had not been reconverted to MDM rice as of June 2008.
- In November 2007, 11 tonnes of MDM rice (cost: Rs 0.62 lakh) were issued for State Science Fair and State School Athletic meet on the basis of orders issued by DPI.
- GOI supplied 100 gram of rice per child per day for the scheme for 200 days. Each student was therefore entitled to 20 kg of rice per year. But taking into consideration the scale prescribed by the State (60 gram of rice per day) and the average number of days (162) on which mid-day meal was served during 2003-08 in 140 test checked schools,

the rice consumed by a student was on an average 9.72 kg. Thus, only 49 *per cent* of the quantum of rice prescribed by GOI was consumed by each student of Standard I to V. The quantity of rice for providing cooked food for students in Standards VI and VII and issue of special rice on festival occasions was being met from the balance available. The quantity of rice so utilised during the five year period 2003-2008 was 89,781 MT (excluding 1,453 MT converted and sold by KSCSC) and its cost worked out to Rs 50.73 crore at Rs 5,650 per MT. In addition, transportation cost of Rs 6.73 crore was also paid by GOI on the above quantity. Thus Central funds of Rs 57.46 crore had been diverted for feeding students of Standards VI and VII and supply of rice on festival occasions which were not covered under the guidelines of the Central scheme.

Central funds of Rs 57.46 crore diverted

3.1.8.3 Transportation charges

GOI was providing transportation subsidy of Rs 75 per quintal (Rs 50 up to September 2004) for transportation of rice allotted for mid-day meal scheme from FCI godowns to schools. The State Government entrusted the transportation of the rice to KSCSC (Government undertaking). The Government had been paying a fixed rate of Rs 140 per quintal from 1995 till date to KSCSC for this purpose.

It was noticed in Audit that while KSCSC was paying charges ranging from Rs 9.40 to Rs 49.00 per quintal to contractors for transportation of foodgrains to its own depots/store from FCI godowns it was being reimbursed at the rate of Rs 140 per quintal by Government. It was also found that the rate paid by Civil Supplies Department of Government to Wholesale Ration Dealers towards commission, transportation and loading/unloading was in the range of Rs 18.38 to Rs 20.64 per quintal depending on the region. Thus the rate paid to KSCSC for transportation was on the higher side. Even after charging such a high rate, KSCSC was supplying the foodgrains at its Depot/Store only, instead of at schools and the schools had to incur additional expense for transportation of foodgrains to the schools. Government did not invite tenders/quotation to obtain competitive rates for transportation. Instead, Government had been paying excessive charges to KSCSC towards transportation for the last 12 years without reference to the actual transportation cost incurred by KSCSC.

Transportation charges paid to KSCSC were on the higher side

3.1.8.4 Pulses supplied at higher rate

KSCSC was charging higher rates for the pulses supplied to schools

KSCSC supplies pulses for the scheme throughout the State. During 2003-08, KSCSC supplied 52,803.70 MT of pulses. It was found that the cost of pulses charged by KSCSC during the period October 2005 to March 2007 was higher than the general rate by Rs 0.30 to Rs 11.30 per kilogram. The excess charged by KSCSC during this period alone worked out to Rs 8.82 crore. The rate charged during 2007-08 was also found to be higher than the general rate by Rs 0.39 to Rs 13.26 per Kg. The DPI failed to ensure that reasonable and economical charges were claimed by KSCSC since 1995. The Secretary promised to take up the matter with KSCSC.

3.1.8.5 Cooking facilities

As per GOI guidelines, kitchen-cum-store should be separate from classrooms; they should be well ventilated and so designed that there was a separate storage facility which should not have a thatched roof. DPI during a presentation in April 2006 before the Programme Approval Board of GOI had stated that 83 *per cent* of schools have pucca kitchens and kitchens in the remaining schools would be completed by the end of 2006. However, the data furnished by 132 AEOs (out of total 163 AEOs) in respect of 7,566 schools revealed that:

- 1,126 schools have kitchen-cum-store with concrete roof
- 1,236 schools have only kitchen
- 3,869 schools have only temporary sheds with tiled /asbestos roof
- 1,335 schools have only temporary sheds with thatched roof

Construction of kitchen-cum-store in 1,285 schools had not been completed as of July 2008 despite release of assistance of Rs 7.71 crore by GOI during 2006-08. Abnormal delay in release of the GOI grant to the LSGIs for construction of kitchen resulted in non-utilisation of the grant although the bulk of the schools lacked proper kitchen/cooking facilities.

3.1.8.6 Utilisation of teaching time

Involvement of teachers in the scheme contrary to GOI guidelines was noticed

GOI guidelines stipulate that under no circumstance should teachers be assigned responsibilities for cooking mid-day meals as this will impede or interfere with teaching quality.

In the 140 schools test checked by Audit it was found that

- In 73 schools, teachers were involved in purchase of vegetable and other ingredients
- In 116 schools, teachers weighed and received foodgrains and maintained store records
- In 91 schools serving of meals to children was by teachers
- 94 schools admitted that teachers spent time on the above activities which eventually resulted in decrease in number of teaching hours.

Involvement of teachers in activities other than teaching is likely to impede the objectivities of the Mid-Day Meal Scheme.

3.1.9 Supply of foodgrains

GOI guidelines required supply of cooked food of prescribed calorific value to all students in classes I to V for 200 days in a year. The State, however, provided cooked rice to students enrolled for the scheme in classes I to VII.

3.1.9.1 Interruption in feeding

Interruption in feeding days ranged from 7 to 102 days in 129 test checked schools

Despite timely allocation of foodgrains by GOI and its release by FCI, interruption in feeding ranging from 7 to 102 days due to non-receipt of foodgrains, absence of cooks, bandh, hartals, etc., during 2003-08 were noticed in 129 test checked schools. Such interruptions defeated the very objective of the scheme of providing food on all school days.

3.1.9.2 Calorific value not achieved

Varied menu to achieve the revised calorific value was followed only in seven schools out of 117 test checked

The meals served for the mid-day meal was Kanji (gruel) with pulses consisting of 60 gram of rice and 30 gram of pulses per student. The calorific value of the meals served was 309 and contained 12.5 gram of protein and was as per the norms prescribed by GOI. The calorific value has been revised by the Ministry of Human Resource Development to 450 calories and 12 gram of protein from June 2006. GOI also gave a sample of the meal that may be served to achieve the above calorie value.

Table 4: Food/Calorie value

	Calorie	Protein (gm)
Rice 100 gm	340	8
Pulses 20 gm	70	5
Vegetables including leafy 50 gm	25	Not available
Oil and fat 5 gm	45	Not available
Total	**480**	**13**

Source: GOI guidelines

Eventhough according to DPI varied menu has been prescribed in 2007 details received from 117 schools showed that only in seven schools varied menu was followed.

3.1.9.3 Supply of special rice during festival season

Apart from supply of mid-day meal in schools, special rice at the rate of five kg (three kg in 2007-08) was also provided during festival seasons (Onam, Ramzan and Christmas) to the students enrolled for the scheme. Special rice was supplied thrice during 2003-04 and 2004-05, once during 2005-06 and 2006-07 and twice in 2007-08.

Government diverted 56,758 MT of MDM rice, 11,938 MT of BPL rice and 51,203 MT of APL rice for supplying rice to students during festival seasons

During the five year period 2003-08, State provided 1,19,899 MT of rice during the festival seasons. Audit scrutiny revealed that this was done by the State Government diverting rice provided by GOI free of cost for mid-day meal scheme and BPL/APL rice allotted by GOI at subsidised rates for issue to ration card holders under the Public Distribution System. The quantity so diverted was 56,758 MT of MDM rice, 11,938 MT of BPL rice and 51,203 MT of APL rice.

As the rice supplied by GOI was meant for providing cooked meal to students of class I to V during school working days diversion of rice for providing uncooked rice to students during festival seasons was violative of GOI direction. The use of rice supplied by GOI for issue to APL and BPL ration card holders at subsidised rate against guidelines of the scheme was also irregular.

3.1.10 Impact of the scheme on enrolment, attendance, retention and nutritional status

One of the basic objectives of the scheme was to increase enrolment, attendance, retention and nutritional status of the children.

3.1.10.1 Enrolment

The impact of the scheme in improving enrolment was insignificant

The number of children enrolled in class I to V and VI and VII in Government, in aided and unaided schools during the period 2003-08 is given below:

Table 5: Student strength in Government, aided and unaided schools

Year	Government and aided schools		Unaided schools	
	Standard I to V	VI and VII	Standard I to V	VI and VII
2003-04	21,63,763	9,72,780	1,41,111	52,653
2004-05	21,28,222	9,42,935	1,88,979	56,938
2005-06	20,99,522	9,16,990	2,05,330	60,176
2006-07	20,65,785	9,12,834	2,11,007	63,872
2007-08	19,94,398	9,18,098	2,08,147	66,242

Source: Educational statistics from DPI

It was found that there was decrease in enrolment in Standard I to V from 21.64 lakh in 2003-04 to 19.94 lakh in 2007-08 and from 9.73 lakh in 2003-04 to 9.18 lakh in 2007-08 in Standard VI and VII in Government and Aided schools. But in Unaided schools which are not covered by the mid-day meal scheme there was steady increase in enrolment of students in Standard I to V and Std VI and VII during the same period. This shows that the scheme did not have any significant impact in improving enrolment in schools from the target group.

3.1.10.2 Attendance, retention and learning levels

Though the scheme aimed at improving attendance, retention and learning levels, the nodal office did not compile district and State level data on attendance and details of marks/grades. Test check of records of 140 schools showed that there was regular increase in attendance only in 26 schools. Grades also showed varied trends. Hence assessment of the learning levels to ascertain the impact of the scheme could not be made.

3.1.10.3 Nutritional status of children

The guidelines envisage that the mid-day meal scheme should be complemented with appropriate interventions through administration of (a) six monthly dose of deworming and vitamin A supplementation (b) weekly iron, zinc and folic acid supplement and (c) other appropriate supplements depending on common deficiencies found in the local area in consultation with the nearest Government Hospital. This was to be funded from appropriate schemes of the Health Department or School Health Programme of the State.

No specific funds were allotted by Government for this component under any of the schemes. The DPI informed that neither health check was conducted nor supply of vitamin A supplement and micro nutrients were made during the five-year period. Failure to provide supplementary nutrition and regular monitoring of nutritional status of children was violative of GOI guidelines and resulted in non-detection of potential health problems that could have been rectified by appropriate interventions.

3.1.11 Monitoring, Inspection and Internal Controls

3.1.11.1 Monitoring/inspection

Monitoring committees were either not constituted or were not meeting as prescribed in guidelines

GOI guidelines (2004) provide for formation of Steering and Monitoring Committees at State, district and block levels. The State Level Committee was formed in January 2006 only, 18 months after the guidelines were issued. Though it was required to meet twice annually it met only once during 2005-06, 2006-07 and 2007-08. In four[*] districts test checked no District

[*] Kasaragod, Pathanamthitta, Idukki and Alappuzha

Level Committee was formed. In another three districts[#] the committees were formed. These committees were, however, not meeting though they were required to meet four times in a year. Out of 163 AEOs, 84 AEOs reported that no Block Level Committees were constituted. No inspection by nutrition experts of Food and Nutrition Board was conducted to monitor the overall quality of the mid-day meal served. As per GOI guidelines, the inspections are to be arranged in a manner that all the schools are covered in a year and further targets were to be fixed so that on an average 25 *per cent* of the schools/Education Guarantee Scheme/AIE Centres should be covered in a quarter. In five DDEs[$], the Noon Meal Supervisor could cover only about 10 *per cent* of the schools each year. Details in respect of the two districts test checked had not been received (October 2008).

3.1.11.2 Failure of DPI to send progress reports

During 2003-08 monthly and quarterly progress reports were not furnished by DPI

During the five year covered by Audit (2003-08) the DPI has not furnished to the Ministry of Human Resources Development the Monthly report on off take of foodgrains, quarterly claim towards transport subsidy, quarterly progress report and utilisation certificates.

3.1.11.3 Internal Controls

Though the DPI reported before the Programme Approval Board in April 2006 that Management Information System (MIS) connecting the Directorate and District Offices would be completed by June 2006, this has not been done as of June 2008. The proposal for connecting all the offices of AEOs to the Directorate is under implementation and it has been stated that work in two districts has already been completed.

No performance management system was in place to ensure feedback on the scheme

The Nodal Office did not have an internal audit wing to examine the implementation of the scheme. There was no performance management system to provide adequate feedback. Utilisation of the funds released to the LSGIs was also not being watched.

Thus there was no effective internal control mechanism in the department to ensure feedback on the implementation of the scheme to the appropriate authorities. As a result, irregularities in implementing the scheme which has been running for nearly 23 years remained unrectified/unfulfilled.

3.1.12 Conclusion

The enrolment figures reported to GOI were not based on reports received from field offices. The transportation charges paid to KSCSC by Government was found to be on the higher side compared to those paid by KSCSC to the transporting contractors. KSCSC was charging higher rates for the pulses supplied to the schools. Diversion of rice provided for the scheme for other purposes was noticed. Most of the schools did not have adequate kitchen facilities. State Government failed to utilise the GOI grant of Rs 10.97 crore received for constructing kitchen-cum-store, replacement of cooking devices and strengthening management, monitoring and evaluation in time. Monitoring Committees prescribed in the GOI guidelines were either not constituted or were not meeting regularly. For supplying rice during festival

[#] Kottayam, Malappuram and Kozhikode
[$] Alappuzha, Pathanamthitta, Idukki, Malappuram and Kozhikode

seasons Government resorted to diversion of not only mid-day meal rice but also rice supplied by GOI for issue to APL/BPL ration card holders. The impact of the scheme on enrolment, attendance, retention and improving learning levels could not be assessed in the absence of necessary data. There was no effective internal control mechanism in the department for monitoring the scheme.

3.1.13 Recommendations

- Government should ensure that Central funds received for providing facilities like kitchen-cum-store, replacing utensils, etc., are utilised without delay and these facilities should be available in all the schools.
- Cooking cost released by GOI in advance should be released to schools without delay.
- Government should ensure that transportation charges/rates and cost of pulses are competitive and no excess rates paid to KSCSC.
- Data on enrolment, attendance, retention, learning levels, etc., may be compiled and maintained State-wise for evaluation of impact on the scheme.
- An effective Internal Control System should be set up in the department for gathering timely feedback on the deficiencies in implementation and taking corrective measures.

The recommendations contained in the para were discussed in the exit meeting. The Secretary accepted all the recommendations except the recommendation regarding competitive bidding for transportation and supply of pulses. However, the recommendation is retained since such a procedure is necessary for getting economic rates.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

INDUSTRIES DEPARTMENT

3.2 Development of traditional industries - handloom

Highlights

Handloom industry is one of the main traditional and labour oriented industries in the State. Ninety six per cent of handloom production in the State is contributed by the Co-operative sector. Central and State Governments give financial assistance for implementing various schemes for handloom development. Some of the points noticed during the review of the implementation of the schemes in the sector are given below:

- **The Department did not have a reliable and accurate database for planning and implementation of various schemes.**

(Paragraph 3.2.6)

- **During 2005-08 Rs 34.23 crore of budgeted funds remained unspent due to non-availing of Central assistance in full.**

(Paragraph 3.2.7)

- **During 2003-07 Central funds of Rs 2.78 crore meant for Marketing Incentive under Deen Dayal Hatkargha Prothsahan Yojana(DDHPY) was diverted for rebate on handloom under State scheme.**

(Paragraph 3.2.8)

- **Rupees 1.01 crore released to 58 Primary Handloom Weaver's Co-operative Societies (PHWCS) in three test checked districts for DDHPY were diverted for working capital.**

(Paragraph 3.2.10.3)

- **Rupees 1.68 crore was collected from 224 PHWCS to constitute a common fund for utilisation towards publicity, of which Rs 97.25 lakh was diverted and Rs 70.75 lakh retained in bank without utilisation.**

(Paragraph 3.2.10.4)

- **Training imparted at a cost of Rs 1.70 crore under DDHPY was unfruitful as the weavers were not trained for using Jacquard and Dobby which are essential for weaving design patterns.**

(Paragraph 3.2.10.5)

- **Out of Rs 2.95 crore given for design input Rs 1.19 crore had become unfruitful as the societies did not adopt the design supplied by the agencies and Rs 1.76 crore released to the societies did not serve the intended purpose.**

(Paragraph 3.2.10.6)

- **Apex organisations in the State – Hantex and Hanveev - could not avail assistance of Rs 36.40 crore due to their inability to submit project reports based on GOI guidelines.**

(Paragraph 3.2.10.8)

- **Though marketing incentive of Rs 54.80 crore was released to PHWCS and apex organisations to increase production and sales during 2001-07, the production and sales decreased during the period.**

(Paragraph 3.2.10.9)

- **The apex organisations Hantex and Hanveev established for the development of handloom in co-operative and unorganised sectors were making losses year after year and the accumulated loss at the end of March 2007 was Rs 133.52 crore.**

(Paragraph 3.2.12.1)

- **There was no effective monitoring by the officials responsible and false utilisation certificates were sent to GOI.**

(Paragraph 3.2.13)

3.2.1 Introduction

Handloom industry is one of the main traditional industries in the State. This labour-oriented sector which employs about two lakh persons is facing many problems like competition from the powerloom sector, dwindling number of weavers and other labourers due to low wages and certain specific financial problems of the Primary Handloom Weavers Co-operative Societies[*] (PHWCS). Out of 58,400 handlooms in the State, 46,720 were in the co-operative sector. There were 758 registered PHWCS in the State of which about 300 are now defunct. There were two apex level organisations in the State - Kerala State Handloom Weavers Co-operative Society (Hantex) and Kerala State Handloom Development Corporation (Hanveev) - to supply raw material, sell the products of the PHWCS and the individual weavers. Ninety six *per cent* of the total handloom production in the State is contributed by the co-operative sector and the balance by the unorganised/ corporate sector. In order to develop the handloom sector, Central and State Governments are implementing various schemes.

3.2.2 Organisational set up

At Government level Principal Secretary, Industries and Commerce is in overall control of all activities in the handloom sector. There is a separate Directorate of Handloom and Textiles (DH&T) headed by a Director. The schemes are implemented through the District Industries Centre (DIC) under the Director of Industries and Commerce. The organogram depicting the organisational set up of handloom sector is given in **Appendix XXIX**.

3.2.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- Adequate data was available for planning and implementing various Central and State schemes,
- Sufficient funds were made available and were efficiently and economically utilised,
- The Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) scheme was implemented efficiently and economically,
- The apex level organisations and co-operative societies implementing the schemes were functioning effectively and
- Schemes were effectively monitored.

3.2.4 Audit Criteria

- Specified target population and eligibility conditions fixed/prescribed for various Central/State Schemes
- Budget provision and allotment to various projects in the handloom sector
- Scheme guidelines, targets and time span fixed by Central and State Governments
- Aims/Goals fixed for achievement by State level Organisations
- Annual Statements, UCs, etc. submitted by field level/ State Offices to State/Central Governments.

[*] These are societies registered under the Kerala Co-operative Societies Act, 1969 and engaged in weaving of handloom clothes. There should be a minimum of 25 members from 25 families of which eight *per cent* can be non-weavers. The society has a secretary who looks after the administration.

3.2.5 Scope of audit and audit methodology

A Performance Audit was conducted during February 2008 to June 2008 covering the period 2003-08. As handloom units were mainly concentrated in Kannur and Thiruvananthapuram districts these districts were selected compulsorily. Two* districts from the remaining 12 have also been selected using simple random sampling. The methodology adopted was mainly scrutiny of files, records and documents in the various offices, interaction with those concerned with the implementation of the schemes, field visits to randomly selected societies and collecting information from weavers through questionnaire. An entry conference was conducted with the Principal Secretary (Industries and Commerce) in March 2008. Audit methodology, coverage, samples and other essential features of the audit were explained at the meeting. An exit conference with the Principal Secretary, Industries Department was held in September 2008.

Audit findings

3.2.6 Absence of authentic database

Department did not have authentic and reliable data on handloom weavers

A reliable and authentic database is necessary for successful planning and implementation of different schemes. The Economics and Statistics Department conducted a survey (2003-04) to study the status of handloom sector in Kerala such as number of weavers, number of looms, ownership of looms, production details, count-wise consumption of yarn, rebate sales, wages and the socio-economic impact of various activities. The Provisional Report sent to the Director of Handloom and Textiles in 2006, has not been published so far. According to the survey, against 758 PHWCS registered in the State, only 467 are functioning. As against a total membership of 65,590, only 26,624 members (40.59 *per cent*) were involved in active weaving at the time of survey.

A field visit of the Audit Team to 12 PHWCS selected at random from the 74 test checked PHWCS in the sample districts revealed that the percentage of active members in the selected PHWCS was much lower (12 to 27 *per cent*) than the percentage mentioned in the survey. The results are given below:-

Table 1: Percentage of active weavers

Name of District	Number of societies visited	Number of registered weavers	Active weavers	Percentage of active weavers to registered
Thiruvananthapuram	4	1,279	238	19
Ernakulam	2	264	70	27
Thrissur	3	593	73	12
Kannur	3	1,061	185	17
Total	**12**	**3,197**	**566**	**18**

The survey conducted by the Director of Economics and Statistics in 2003-04 at a cost of Rs 13 lakh could not therefore, be relied upon as the data had lost its relevance due to lapse of time.

It was also noticed that the data relating to handloom sector for the year 2007-08 given by DH&T to the State Planning Board for inclusion in the Economic Review contained figures for only 11 districts in the State. Thus there were inconsistencies in the data, hence the data cannot be relied upon.

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* Ernakulam and Thrissur

The Handloom Advisory Committee reconstituted in October 2007 recommended for survey and issue of identity cards to weavers. No follow-up-action was however, taken on the recommendations.

In the context of declining number of weavers actually working in the handloom sector it is necessary to have adequate and reliable data for planning and implementation of various schemes in the sector. The department had, however, not taken active interest in ensuring availability of accurate and reliable data on weavers, working looms, etc. This had an adverse effect on planning and implementation of various projects in the sector.

3.2.7 Availability of funds and their utilisation

The budget provision, expenditure and saving in the sector during 2003-04 to 2007-08 are detailed below:

Table 2: Budget provision and expenditure

(Rupees in crore)

Year	Provision#		Expenditure		Savings	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2003-04	25.97	4.26	24.93	3.60	1.04	0.66
2004-05	24.81	2.51	23.23	2.02	1.58	0.49
2005-06	25.77	16.36	16.07	14.59	9.70	1.77
2006-07	24.57	10.74	15.92	8.90	8.65	1.84
2007-08	42.36	11.92	26.48	10.21	15.88	1.71
Total	**143.48**	**45.79**	**106.63**	**39.32**	**36.85**	**6.47**

Source: Appropriation Accounts

There were savings during 2005-08 due to shortfall in expenditure on Central schemes

The savings during 2005-06 to 2007-08 were due to shortfall in expenditure on Central schemes. During 2003-08, the State received Rs 56.78 crore (including Rs 3.86 crore received for SGSY projects) from GOI towards various plan and non-plan schemes.

3.2.8 Diversion of Central funds towards State scheme

Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) was a comprehensive Central scheme for the handloom sector implemented during 2000-07. The scheme was completed in 2006-07. One of the components of the scheme was Marketing Incentive (MI) given as a fixed percentage♣ of sales turnover to handloom societies or agencies for creating infrastructure. The MI was in the form of grant shared between GOI and State in the ratio of 50:50.

Central funds of Rs 2.78 crore was diverted for State scheme

The State Government was also extending financial assistance to handloom agencies/societies in the form of rebate to enhance the sale of handloom goods in the State. As the State Government felt that MI and rebate would result in double benefit, it ordered (February 2003) deduction of MI from the rebate admissible to the beneficiary agencies. The action of Government amounted to diversion of funds granted under a Central scheme to a State scheme. During 2003-07* MI of Rs 2.78 crore was diverted for rebate due to Hantex and Hanveev as shown in the table.

including Central assistance

♣ For the State level agencies the incentive was eight *per cent* for the first two years, six *per cent* for the next two years, four *per cent* for the subsequent two years and two *per cent* on the seventh year i.e. 2006-07. For the PHWCS the phasing out was from 10 *per cent* in first two years to four *per cent* in the last year.

* Scheme was completed in 2006-07

Table 3: MI adjusted against rebate

(Rupees in crore)

Year	MI adjusted		
	Hantex	Hanveev	Total
2003-04	1.08	0.58	1.66
2004-05	0.45	0.22	0.67
2005-06	0.20	0.09	0.29
2006-07	0.08	0.08	0.16
	1.81	**0.97**	**2.78**

Source: Details furnished by Hantex and Hanveev

Amount of MI adjusted against rebate paid to PHWCS, though called for, had not been received (June 2008).

3.2.9 Excessive Budget provision

Irregular depiction of expenditure on scheme

In the Budget for the year 2007-08, Rs 30 crore (Rs 15 crore towards State share and Rs 15 crore towards Central share) was provided for payment of MI for the year 2006-07 under DDHPY scheme. The scheme was completed in 2006-07 and Rs 2.69 crore was required for the payment of arrears. In view of this, provision of Rs 30 crore made in the budget (2007-08) for payment of arrears was excessive and against the provisions of Kerala Budget Manual. The Department used Rs 19.48 crore out of this provision for expenditure under 'Integrated Handloom Development Scheme', a new Centrally Sponsored Scheme introduced from 2007-08 onwards. Incurring of expenditure from funds specifically provided for one scheme to another scheme was irregular and resulted in depiction of incorrect expenditure against these schemes in State accounts.

3.2.10 Implementation of Deen Dayal Hatkargha Prothsahan Yojana (DDHPY)

Various schemes aimed at product development, infrastructure development, skill development, housing and welfare of weavers, etc., were implemented by State Government and GOI to improve the handloom sector. Of this the major scheme DDHPY only was covered by Audit. Results of the review of scheme are detailed below:

3.2.10.1 Project formulation

DDHPY scheme was implemented in the State during 2000-07[#] and the total cost of Rs 78.13 crore (including MI) was shared between Central and State equally (75:25 for projects having all SC/ST or women members). The scheme provided for two packages, Basic Inputs* and Marketing Incentive. The Ministry of Textiles, GOI directed (September 2000) State Governments to prepare the project in two packages. The Sub-Committee formed for technical scrutiny found that it was not feasible to implement the scheme through individual PHWCS due to severe financial crisis faced by them and recommended a cluster based approach for implementation. It was, however, seen that the project reports were prepared for individual societies with specific fund allocation for each of them and GOI approved the projects as individual projects and not as cluster as recommended.

[#] Scheme was completed in 2006-07

[*] Margin Money, assistance for looms and accessories, training, Infrastructure support, Design Inputs, Publicity.

Projects were prepared for individual societies contrary to recommendations to adopt cluster based approach

GOI approved (2002-04) 295 projects, of which 270 were for PHWCS (Rs 20.23 crore) and the balance for 25 Mahila Samajams under an NGO (Rs 3.10 crore). The amounts for different components were released to the individual societies. Hence although the Technical Sub-Committee had reported the non-viability of the scheme through individual societies and recommended cluster formation, the scheme was implemented through individual societies and no cluster approach was adopted except in the case of 25 projects implemented through Mahila Samajams.

3.2.10.2 Funding of the project

The total project cost (excluding MI) for the 295 projects was Rs 23.33 crore (2001-07) consisting of GOI share (Rs 7.83 crore), State share (Rs 6.15 crore), bank finance (Rs 8.53 crore) and beneficiary contribution (Rs 0.82 crore). The share of GOI and State was for different components such as margin money, procurement of Jacquard/Dobby, publicity, training, etc. During 2002-05, GOI share and State share amounting to Rs 13.75 crore (GOI: Rs 7.31 crore; State: Rs 6.44 crore) for basic inputs was disbursed to societies/ training institutes/design agencies.

As per GOI instructions, the margin money provided as grant by the State and GOI and the share of beneficiaries were to be deposited into the bank account of the societies and the same was to be used as seed money for enhancement of Cash Credit Limit (CCL) of the beneficiaries. The grant towards training was to be paid to the concerned training institutions. The District Industries Centres were responsible for monitoring the implementation.

3.2.10.3 Violation of GOI guidelines

The funds released to each society were kept in a joint account in the name of General Manager, District Industries Centre and Secretary of the concerned PHWCS. The records in the DICs in the selected districts revealed that a major portion of the funds were utilised for working capital needs of the societies and not for the components sanctioned in the project as detailed in table:

Table 4: Utilisation of DDHPY assistance by test checked societies

(Rupees in crore)

Name of District	Number of societies under DDHPY scheme	Number of societies test checked*	Amount sanctioned to test checked societies	Total amount released as grant to societies	Amount utilised for the components of the scheme as per UC	Amount diverted for working capital needs
Thiruvananthapuram	156	40	1.83	1.16	0.47	0.69
Ernakulam	8	8	0.32	0.18	0.06	0.12
Thrissur	10	10	0.40	0.23	0.03	0.20
Kannur	32	16	0.67	0.51	No UC for 5/ 11 UCs incomplete	Not available
Total	**206**	**74**	**3.22**	**2.08**		

* excluding 25 Mahila Samajams under NGO

Margin money was withdrawn and utilised for working capital needs instead of keeping it in bank as per guidelines

- All the test checked societies had withdrawn the margin money required to be kept in Bank and used it towards working capital.
- The fund sanctioned for each society included provision for procurement of 10 Jacquards and Dobby essential for weaving value added products using modern diversified designs. Only two societies in Thiruvananthapuram had procured Jacquard and Dobby.
- In Ernakulam district UCs were submitted by seven (out of eight) societies in the same format showing similar expenditure of Rs 2.60 lakh including expenditure of Rs 0.64 lakh towards training. But Rs 0.64 lakh towards training was not actually released to the societies as it was paid directly by the DH&T to the training institute. Hence the UCs furnished by the societies were not factually correct and reliable. One of the societies did not furnish any UC at all.
- In Kannur five out of the 16 societies test checked had not furnished the UC. The UCs furnished by the others were incomplete. Only the expenditure towards design and development and weaving accessories were shown.
- As per the register maintained at DIC Kannur for watching withdrawal of funds under DDHPY, Rs 9.51 lakh remained unutilised after the closure of the scheme.
- No contribution was made by beneficiaries except in Thiruvananthapuram district and even in this case it was withdrawn and utilised as working capital. The bank loan of Rs 7.45 crore was not availed as envisaged in the project.

3.2.10.4 Diversion of funds

Rs 1.68 crore provided by GOI for publicity was diverted for providing working capital to PHWCS

The assistance released to 295 projects contained Rs 2.95 crore towards publicity. As per GOI guidelines assistance was to be available on the basis of a project specifying the nature of publicity and the target market. State Level Project Committee (SLPC) decided (December 2003) to implement a comprehensive marketing strategy by utilising 75 *per cent* of the total publicity component for this purpose with IIM-Kozhikode as the resource agency. Accordingly, a Fund with a corpus of Rs 1.68 crore was formed by collecting Rs 75,000 each from 224 PHWCS and deposited in a separate bank account. A Marketing Strategy Committee was constituted by Government in 2004 under the Chairmanship of DH&T for implementing this project. As no progress was made in the implementation of the project till August 2006, based on request from PHWCS, State Government accorded sanction to return Rs 50,000 each to PHWCS as interest-free loan from the Fund for their working capital needs to be repaid in ten instalments. Accordingly DH&T disbursed Rs 97.25 lakh to 207 PHWCS as interest free loan and the balance of Rs 70.75 lakh was retained in bank. The loan was not repaid as of March 2008. The diversion of funds received for publicity towards working capital was irregular.

3.2.10.5 Training

To facilitate weavers to switch over to high value added products, assistance for training in the form of compensation of wages to weavers and Master Trainer at Rs 750 and Rs 2,500 per month respectively was provided in the DDHPY scheme. The training for three months was to be provided by Weavers

Service Centres/State Institute for Design and Training or other National/State level organisations. Assistance of Rs 63,750 was provided for societies having 25 members and Rs 1,27,500 for societies having 50 members. Out of the 295 projects, 236 projects had the training component and the training was organised as shown below:

Table 5: Details of training under DDHPY

Name of training institute	No of projects	No of weavers	Amount paid (Rupees in crore)
Weavers' Service Centre, Kannur	28	700	0.18
Institute of Handloom and Textile Technology, Kannur	146	3,950	1.01
Institute of Handloom and Textile Technology, Salem	62	1975	0.51
Total	**236**	**6,625**	**1.70**

Training imparted at a cost of Rs 1.70 crore was unfruitful

A joint inspection of the societies revealed that:-

- Jacquard and Dobby were essential for switching over from low value to high value added items as these were required for weaving design patterns. As a majority of the PHWCS had not procured these items they were not given training for using Jacquard and Dobby.
- No society among the 12 jointly inspected was using Jacquard/ Dobby. Weavers stated that the training provided was not sufficient to weave using Jacquard/Dobby. Hence they were continuing with the earlier practice.
- After the training many of them left the societies. Out of 12 societies visited, in four there were only 58 weavers remaining in place of 100.

Thus the training imparted at a cost of Rs 1.70 crore was not effective as it did not improve the weaving skills of the weavers.

3.2.10.6 Assistance for new design

Rs 2.95 crore released for new design component had become unfruitful

The assistance for design input was for procurement of new designs and installation of Computer Aided Design system to improve the design quality of handloom products. The implementing agencies were required to diversify their products to meet the changing market scenario. For acquiring designs from Weavers Service Centre, Institute of Handloom and Textile Technology, etc., Rupees one lakh was provided to each of the 295 projects. DH&T deducted Rs 1.19 crore towards design from the funds sanctioned to the societies and made it available to these agencies as detailed in the **Appendix XXX**. The balance amount of Rs 1.76 crore was released to the projects for developing the paper designs into marketable products.

Scrutiny revealed that even though the agencies entrusted with the work of design had given paper designs to the societies, no society had adopted the designs supplied. It was stated by the societies that the designs furnished by the agencies were not marketable in the State. As the societies had not adopted the new designs, Rs 1.19 crore provided to the design agencies had become unfruitful and Rs 1.76 crore released to societies could not achieve the intended objective.

3.2.10.7 Projects implemented by NGOs

Units under NGOs were running profitably despite non-receipt of Rebate, Marketing Incentive, etc.

GOI sanctioned (October 2004) 25 projects for all Mahila Samajams represented as NGOs (ECOTEX Consortium). The projects were sanctioned as a cluster of 25 units with 25 beneficiaries in each unit. The total project cost was Rs. 3.10 crore consisting of GOI share (Rs. 1.27 crore), State Share (Rs.0.69 crore), Bank loan (Rs.1.08 crore) and beneficiary contribution (Rs 0.06 crore).

The components approved were the same as for the other 270 projects except that the training component was not included in the project. Training was imparted to the weavers by the Master Weaver under whose guidance and supervision the project was implemented. All the units were working in the same compound having a Common Facility Centre for pre-loom and post-loom activities. The weavers had acquired Jacquard and Dobby for weaving sarees, set mundu, etc., with designs. Good quality yarn and zari were arranged through a reputed private handloom house and the marketing was also done through it. During joint inspection it was stated by the units that they were making profit and the weavers were getting better remuneration than other co-operative societies/individual weavers.

Thus a scheme which could not be implemented effectively by the weavers' societies under the co-operative sector with substantial assistance from Government was successfully implemented by an NGO without any concession like MI, rebate, etc. from Government.

3.2.10.8 Failure of Hantex and Hanveev to avail grant

Hantex and Hanveev could not avail assistance of Rs 36.40 crore due to non-submission of feasible projects based on GOI guidelines

Under the component 'Strengthening of Handloom Organisations', assistance towards financial restructuring of National Level Handloom Organisations, State Handloom Corporation and Apex Weavers Co-operative Societies/ Federations was available as seed money and was sharable between GOI and State in the ratio 50:50. In order to avail assistance the organisations were required to improve their viability by strengthening their business policies, rationalising their manpower, preparation of a feasibility project for Ministry by an independent management consultancy organisation, approved by the SLPC, etc.

A project proposal from Hantex was sent to the Ministry of Textiles in 2004 for the restructuring of Hantex. This was not accepted by the Ministry as it was defective. Hantex submitted a revised proposal for Rs 38.48 crore (including Rs 32.72 crore towards seed money) in August 2006, this was also not accepted by the Ministry. No further revised proposal was submitted to the Ministry (June 2008) and the scheme ended in 2006-07.

In July 2004 Hanveev also submitted a project proposal for restructuring to State Government prepared by the Centre for Management Development, Thiruvananthapuram with an estimated cost of Rs 16.40 crore. SLPC directed (August 2004) Hanveev to submit a revised proposal in accordance with the GOI guidelines. A revised proposal for a total amount of Rs 6.84 crore (including Rs 3.68 crore towards seed money) submitted by Hanveev was not approved by State Government due to the weak financial position of Hanveev.

Hence the two State level Apex organisations (Hanveev and Hantex) could not avail financial assistance of Rs 36.40 crore due to inability in submitting feasible projects based on GOI guidelines/weak financial position of the organisation.

3.2.10.9 Expenditure on Marketing Incentive

Expenditure of Rs 54.80 crore on Marketing Incentive did not serve the intended purpose

Rupees 54.80 crore was disbursed to various PHWCS, Hantex and Hanveev as Marketing Incentive during the period 2001-02 to 2006-07 for improving productivity/marketing. It was, however, found* that production decreased from Rs 318.16 crore in 2001-02 to Rs 281.16 crore in 2006-07 and sales decreased from Rs 497.06 crore to Rs 274.17 crore. As production and sales declined during the scheme period, Rs 54.80 crore disbursed as Marketing Incentive did not serve the intended purpose.

3.2.10.10 Submission of false utilisation certificates to the Ministry

Under the DDHPY, DH&T had to furnish UCs to the Ministry of Textiles, GOI. It was noticed that the UCs furnished were false as noted below:

False utilisation certificates furnished to the Ministry

- The major portion of the common fund created for publicity component was diverted as interest-free loan to PHWCS and the balance was lying unutilised in the bank. However, DH&T furnished UC stating that Rupees one lakh each provided to 295 projects (Rs 2.95 crore) had been utilised for publicity.
- Expenditure statement provided by PHWCS to District Industries Centres indicated withdrawal of margin money and diversion of funds for working capital. However, UC was furnished stating that these were utilised for the intended purpose.

3.2.10.11 Evaluation by Government

Hanveev conducted an evaluation of the DDPHY for Government. The evaluation team visited four# districts and submitted its report to Government in May 2007. The report stated that the scheme was a failure except in a few societies. The report also pointed out the failure in adopting the design supplied by National Institute of Design, National Institute of Fashion Technology, Institute of Handloom and Textile Technology, etc. However, no action was taken on the basis of the report.

Hence the major scheme funded by GOI and implemented for the overall development of the handloom sector could not achieve its intended objectives even after spending Rs 13.75 crore for the basic inputs and Rs 54.80 crore as Marketing Incentive. Audit scrutiny revealed that non-implementation of various components, diversion of funds, ineffective functioning of the apex organisations, poor planning, lack of proper monitoring and guidance were the main reasons for the apparent failure of the scheme.

3.2.11 Problems faced by PHWCS and weavers

Audit team visited 12 PHWCS (out of 74 PHWCS in selected districts) alongwith the departmental officials and 35 weavers selected randomly were interviewed and information collected through Questionnaire. The information collected revealed the following:

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* From Economic Review 2002 to 2007
# Thiruvananthapuram, Kozhikode, Kannur and Palakkad

Daily average wage of weaver was low as compared to other sectors

- Wages ranging from Rs 40 to Rs 100 earned by weavers were much below the daily average wage in most other sectors. The wages were fixed for weaving a single piece of product like a saree, one dhothi, one set mundu, etc. Where there were no common pre-loom facilities, the pre-loom activities were to be done by the weavers in their houses. It took them 10 to 14 days for making the 'paavu' for weaving. No wages were, however, provided for this. The members of Mahila Samajams were, however, earning better wages ranging from Rs 75 to Rs 150 per day.
- Out of 12 PHWCS, nine were running on loss, one society was at break-even point and only two were making profit.
- Only an average of 18 *per cent* of registered weavers were actually working.
- All the 12 PHWCS had dues pending from Hantex and State Government.
- Out of 12 PHWCS, seven had got their own showroom for marketing. Others depended on private showrooms. Those who had their own showrooms stated that they had no problem in marketing their products.
- 67 *per cent* of the weavers interviewed were above the age of 45 years, 23 *per cent* were in the range of 30 to 35 years and only 10 *per cent* were below 30 years. The low wages in the sector was cited as the main reason for the reluctance of the younger generation in taking up weaving as a career.
- It was further stated that when weavers were provided training in using Jacquard, Dobby, etc. there were no skilled masters for consultation or clearing doubts as a follow-up to training. In Kannur and Thiruvananthapuram they often got the services of masters from Hantex or Hanveev.

3.2.12 Working of apex handloom organisations

The apex organisations were established with the objective of making available quality raw materials to member societies and procurement of handloom cloth from these societies for sale.

3.2.12.1 Functioning of the Apex organisations

Accumulated loss of the apex organisations was Rs 133.52 crore at the end of March 2007

Scrutiny of the results of the apex organisations revealed that they were incurring losses year after year. The annual accumulated loss of Hantex increased from Rs 70.56 crore in 2003-04 to Rs 102.20 crore in 2006-07* and of Hanveev from Rs 20.86 crore to Rs 31.32 crore during the same period. Delay in getting the value of goods procured made the PHWCS reluctant to trade with Hantex. As a result, the number of PHWCS trading with Hantex reduced to 150 in 2006-07 from 193 in 2003-04 though there were 466 PHWCS registered with Hantex. Only 4 *per cent* of the production in the co-operative sector was procured by Hantex during 2003-04 which was further reduced to 2 *per cent* in 2006-07. Moreover, the dues payable to PHWCS by Hantex as on 31 March 2007 was Rs 25.88 crore.

* Accounts for 2007-08 not yet finalised

State and Central Governments gave Hantex and Hanveev Rs 13.95 crore and Rs 9.15 crore respectively during this period towards Marketing Incentive, Share Capital contribution and rebate though sales by them was not significant. The working results of Hantex and Hanveev are indicated in **Appendix XXXI**.

3.2.12.2 Non- implementation of renovation/computerisation

During 2004-05, Rs 10 crore was received by State Government as a one-time Central assistance for traditional industries of which Rupees three crore was allotted to handloom sector. State Government approved (March 2005) a project for the renovation and computerisation of the showrooms of Hantex and Hanveev and released Rupees three crore as shown below:

Table 6: Project details of renovation and computerisation

(Rupees in crore)

Sl. No.	Particulars	Hantex (20 showrooms)	Hanveev (5 showrooms)	Total cost
1	Upgradation of marketing network facility to ordinary showrooms	1.76	0.44	2.20
2	Training programme for skill upgradation of sales personnel	0.08	0.02	0.10
3	Upgradation of Technology (computerisation)	0.40	0.10	0.50
4	Handloom quality assurance programme	0.16	0.04	0.20
	Total	**2.40**	**0.60**	**3.00**

Source: Directorate of Handloom and Textiles

On the basis of recommendations of the Marketing Strategy Committee the work of design for renovation of showrooms was awarded to Kerala Small Industries Development Corporation Limited (SIDCO) in February 2006. The estimates and designs submitted by SIDCO for three showrooms of Hantex (Rs 52.93 lakh) and two showrooms of Hanveev (Rs 20.48 lakh) were accepted and an advance of Rs 33.95 lakh was given to it. However, SIDCO had completed only two showrooms of Hantex (Thiruvananthapuram and Kollam). As the work done by SIDCO was found to be of inferior quality, the balance of Rs 26.78 lakh out of Rs 60.73 lakh claimed by SIDCO was not paid. The work of the other three showrooms (Thiruvananthapuram, Kayamkulam and North Paravur) were awarded to Forest Industries (Travancore) Limited and they had completed the work at a cost of Rs 20.77 lakh. Thus only Rs 54.72 lakh was actually spent for renovation. A proposal for awarding the work on computerisation was pending with Government as of June 2008.

Rupees two crore was diverted as working capital out of Rupees three crore released to Hantex and Hanveev for renovation

As the other components of the project were not implemented, State Government decided to treat Rupees two crore as working capital loan (interest free) to Hantex (Rs 1.50 crore) and Hanveev (Rs 0.50 crore) on the condition that the loan should be repaid before September 2007. No refund had, however, been made as of April 2008. Thus out of Rupees three crore released, only Rs 54.72 lakh was actually spent on the project and Rupees two crore was diverted as working capital loan to Hantex and Hanveev. The objective of renovation of the showrooms enunciated in the proposal of DH&T, namely, production and selling of value added products had not therefore been achieved even after three years of receipt of Central assistance. On this being pointed out, DH&T reported that the responsibility for the lapses lay with the Managing Directors of both institutions and the department could not be held responsible, as the role of monitoring committee was limited to supervision and guidance only. As the DH&T was also the Chairman of the Marketing Strategy Committee, he did not give or furnish reasons for the failure/lapses.

3.2.12.3 Irregular payment of Rs 5.87 crore to Hantex and Hanveev

Assistance of Rs 5.87 crore was released to apex organisations under a Central scheme without submitting proposals and approval by GOI

GOI introduced (2007-08) the Integrated Handloom Development Scheme (IHDS) integrating four schemes including DDHPY. Strengthening of State level apex organisations was a component under this scheme. For this the agencies had to submit a bankable project prepared by an independent Management Consultancy Agency and approved by the State Level Project Committee to the Ministry of Textiles. Hantex/ Hanveev did not submit any such proposals to the SLPC or Ministry.

DH&T released Rs 4 crore to Hanveev and Rs 1.87 crore to Hantex towards strengthening of these organisations. Later DH&T and Government approved (May 2008) the request from Hantex and Hanveev for diverting the amount for their immediate working capital needs/payment of dues, etc. Thus release of grant of Rs 5.87* crore by DH&T under the IHDS without prescribed proposals and without the approval from GOI was irregular.

The above details show that even after getting huge financial support from Government, the apex organisations did not contribute much to the procurement and sale of handloom products and was blocking the working capital of the PHWCS by not paying their dues.

3.2.13 Monitoring and evaluation

Monitoring of schemes was poor

State Level Project Committee and District Level Project Committees had to give approval and monitor implementation of different Central schemes. The implementation of schemes and other activities of PHWCS were to be monitored by the DICs. Scrutiny of records revealed that:

- Fund utilisation by different implementing agencies/beneficiaries was not monitored.
- Claims were settled without proper scrutiny of basic data
- Statistical data was collected and sent to higher authorities without ensuring its correctness
- Utilisation certificates from field offices were accepted and furnished to Ministry without any check.

As the staff are under the administrative control of the Director of Industries and Commerce, DH&T has no control over them as they are transferable to other wings under Industries Department. The field staff supervising/inspecting the PHWCS are Industrial/Co-operative Inspectors who did not have expertise in handloom weaving.

3.2.14 Conclusion

The Directorate of Handloom and Textiles did not have complete and reliable data on handloom weavers. Even though various Committees submitted detailed reports on problems faced by the handloom sector and recommended remedial measures, no follow-up action was taken. Due to financial constraints and low wages, number of working PHWCS have been reduced and only one-fifth of the members were active in the working societies. The DDHPY scheme implemented with the aim of comprehensive development of the sector could not achieve its targeted objectives. Major portion of the assistance disbursed under the scheme

* Rs 4 crore to Hanveev and Rs 1.87 crore to Hantex

were diverted for the working capital needs of PHWCS. DH&T had not utilised the one-time GOI assistance of Rupees three crore for the intended purpose. The apex organisations created for the development of co-operative and unorganised sectors have failed in their mission due to poor performance. They were making losses year after year despite receipt of huge financial assistance from Government. The number of PHWCS trading with Hantex were steadily decreasing as substantial amount was due to them. Schemes and projects were implemented without proper monitoring and false UCs were sent to GOI.

3.2.15 Recommendations

- Government should ensure that the Department maintains reliable and authentic/accurate data pertaining to handloom sector and update it periodically to serve as a useful tool for planning projects.
- The Department should have an effective mechanism to ensure that GOI assistance for various schemes is availed in full and utilised within the prescribed time limit.
- Government should not sanction diversion of funds available with implementing agencies for specific components of schemes/ projects for other purpose, even temporarily.
- Undue delay in payment of claims of primary societies should be avoided and arrangements made to ensure that all claims are scrutinised and settled expeditiously.
- Government should review the performance of the apex organisations - Hantex and Hanveev, as their role in the development of handloom sector has declined over the years, despite being in receipt of bulk of the Government funding in the sector.
- The Department of Handloom and Textiles should have exclusive trained staff with expertise in technical matters at district and lower levels to provide advice and guidance to the weavers and societies.
- Government should take action as recommended by various committees to improve the working conditions of weavers so as to retain the existing weavers and attract youngsters into the handloom sector.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

POWER/AGRICULTURE DEPARTMENT

3.3 Non-conventional sources of energy

Highlights

Ministry of New and Renewable Energy (MNRE), Government of India (GOI) has provided various fiscal and other incentives for production of power from Renewable sources of energy. Kerala has significant potential of non-conventional energy sources comprising of Wind, Biomass, Solar, Small Hydel Projects up to 25 MW, etc., estimated to be 1715 MW. For promotion of non-conventional/renewable sources of energy the State Government had established an Agency for Non-conventional Energy and Rural Technology

(ANERT) as early as in January 1986 and formulated Renewable Energy Policy (REP) in 2002.

- **Though Government have formulated Renewable Energy Policy in 2002, no follow-up measures were taken either by Government or the Nodal Agency.**

(Paragraph 3.3.6)

- **Due to abnormal delay in issuing guidelines for development of wind farms in private lands, no wind energy project could be cleared by ANERT for over five years.**

(Paragraph 3.3.6)

- **Under National Biogas and Manure Management Programme implemented by Agriculture Department, subsidy of Rs 1.60 crore was not paid to the beneficiaries due to insufficient provision in the budget.**

(Paragraph 3.3.7.1)

- **ANERT spent only Rs 7.72 crore (54 *per cent*) for implementation of programmes against Rs 14.26 crore received from 2003-08.**

(Paragraph 3.3.7.1)

- **Rupees 4.18 crore spent for installation of Solar Home Lighting System and Solar Street Lighting System under Solar Village Electrification Programme was not got reimbursed from Government of India.**

(Paragraph 3.3.7.3)

- **Failure to submit timely proposals in accordance with MNRE guidelines resulted in loss of Central Assistance of Rs 8.31 crore for implementation of Remote Village Electrification Programme in 115 colonies.**

(Paragraph 3.3.8.3)

3.3.1 Introduction

Non-conventional energy or Renewable energy refers to energy from the Sun, Biomass, Wind, Tide, Wave, Geothermal and Small Hydel Power Plants up to 25 MW station capacity. Kerala is a power deficient State. Against the power demand of 5,765 MW, the installed power generation capacity in the State as at the end of March 2008 was only 2,661.02 MW. The State has an estimated potential for power generation from non-conventional source/renewable sources up to 1,715 MW[*]. As on date the Kerala State Electricity Board (KSEB) is utilising only 362.89 MU of energy from non-conventional energy sources which works out to only 2.28 *per cent* of the energy distributed (15,890 MU) by KSEB. Government established in January 1986 an Agency for Non-conventional Energy and Rural Technology (ANERT) to promote non-conventional sources of energy in the State and formulated a Renewable Energy Policy in 2002.

[*] Source: Economic Review 2006 published by the State Planning Board, Government of Kerala

The Electricity Act, 2003 recognised the role of Renewable Energy in the Power Sector and provided an overall framework for preferential tariffs and quota for Renewables. The National Tariff Policy, 2006 encouraged use of energy from Renewable Sources by requiring State Regulatory Commissions to fix a minimum percentage for purchase of power from such alternative sources of energy. Substantial funding for generation of electricity from renewable sources is provided by Ministry of New and Renewable Energy, GOI and the other related institutions under its jurisdiction.

3.3.2 Organisational set up

The Department of Power is vested with the responsibility for development of Non-conventional Energy Sources. ANERT functions as the State Nodal Agency (SNA) of Ministry of New and Renewable Energy, GOI for coordinating all activities relating to Renewable Energy Development and implementing their schemes. It also acts as the main agency of State Government on matters related to non-conventional energy sources, etc.

Small Hydro Project Cell at Energy Management Centre (EMC) is responsible for allotment of Small Hydro Projects (SHPs) up to 25 MW to developers on behalf of the State Government. Kerala State Electricity Board (KSEB) implements Small Hydro Projects of its own. Agriculture Department of the State Government implements National Biogas and Manure Management Programme (NBMMP) of MNRE.

An organisation chart of the agencies for renewable sources of energy in the State is given in **Appendix XXXII**.

3.3.3 Audit objectives

The objectives of the Performance Audit were to ascertain whether:

- Programmes/projects formulated were in accordance with the guidelines on Renewable Energy Policy of the State Government and MNRE of GOI,
- Adequate funds for the programme/projects were provided by State and Central Governments and were utilised economically and efficiently,
- Schemes were implemented in a cost-effective and time-bound manner,
- Meaningful research and development activities had been undertaken and the findings were disseminated to facilitate quality improvement in the development of non-conventional sources of energy,
- Internal control mechanism was adequate and effective.

3.3.4 Audit criteria

- Renewable Energy Policy of the State Government
- Budget provision and Annual Action Plans
- Guidelines issued by State and Central Governments for various programmes/projects and the conditions for release of Central assistance

- Rules and regulations regarding the functioning of ANERT and the decisions of its Governing Body and Executive Committee

3.3.5 Scope and methodology of audit

A Performance Audit was conducted during March 2008 to June 2008 for 2003-08. Four[#] out of the 14 districts were selected for detailed audit. To ascertain the working of biogas plants under National Biogas and Manure Management Programme, two blocks under each of the selected districts were selected. Further two Krishi Bhavans[*] under each of the two blocks were also selected for audit examination. Simple Random Sampling Method was used for selection of districts, blocks and Krishi Bhavans.

A review on 'Working of Agency for Non-Conventional Energy and Rural Technology' was included in Paragraph 7.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 (Civil). The Committee on Public Accounts (2001-04) observed that the performance of ANERT was far from satisfactory in many vital fields of Non-conventional Energy, Energy Conservation and Rural Technology. Government had not taken any specific action to comply with the recommendations of the Committee.

The audit methodology included scrutiny of records of Agriculture Department, ANERT, KSEB and EMC, issue of audit observations/comments, collection of data from all district offices through questionnaires and analyzing the data received from auditee.

An Entry Conference was held with the Secretary to Government (Power Department) in March 2008 in which top officials of ANERT, KSEB and Agriculture Department were also present. The audit methodology and audit objectives were discussed at the meeting. Audit findings and recommendations were discussed with the Secretary in the exit conference held in September 2008. Replies wherever applicable have been included.

Audit findings

3.3.6 Renewable Energy Policy

The State Government formulated a Renewable Energy Policy (REP) in 2002 for power generation from non-conventional energy sources. The policy is directed towards development, propagation and promotion of alternative sources for generation of renewable energy by providing administrative support and facilities to explore and implement projects. The main features of the policy are:

- Encourage power generation from municipal waste, agro waste, industrial waste, sewage and other biomass, small-hydel units, trapping solar energy by photo voltaic cells, wind, tide, waves, geothermal, etc.
- Establish ANERT as a single window clearing agency for all Renewable energy projects.

[#] Thiruvananthapuram, Kollam, Idukki and Palakkad
[*] Village/Panchayat level Agriculture Office.

- Treat Companies, Co-operatives, Non-Governmental Organisations, Individuals, etc., that generate power from non-conventional sources as eligible producers and for selling power to KSEB.
- Ensure that KSEB was permitting electricity produced by eligible producers to be banked and distributed.
- Eligible producers intending to sell power to KSEB/to wheel/to bank will enter into a Power Purchase Agreement (PPA) for a minimum period of five years.
- Making use of energy conservation devices like Fluorescent and Compact Fluorescent Lamps (CFL), solar water heating system, etc., mandatory in certain buildings.

No follow-up measures were taken by Government or ANERT to implement the policy

Scrutiny revealed that neither State Government nor the Nodal Agency or other Agencies involved had formulated programmes or taken follow-up measures to implement the policy. Some of the deficiencies in implementation of the policy noticed during audit are given below:

Kerala Building Rules were not amended for installation of solar water heating system in the lodges/hotels/ hospitals

The REP provided for mandatory installation of Solar Water Heating Systems in all lodges and hotels having 10 or more rooms and in hospitals with 20 beds or more. The State Government had, however, not taken any action to make necessary amendments to the Kerala Building Rules to enforce the policy.

No wind energy project was cleared till June 2007

The Policy guidelines for the development of wind power through private developers issued by the State Government in November 2004, more than two years after issue of REP, was not implemented by ANERT due to cumbersome procedures envisaged in the guidelines for setting up wind mills/wind farms. Consequently, clearances for wind mill projects could be given only from June 2007 onwards, after the Wind Power Policy was modified by Government in May 2007. Thus no wind energy project could be cleared for over five years due to the abnormal delay in issuing guidelines/policy formulation thus hampering development of power from this alternative source.

Thus, the REP was issued with the intention of encouraging private investment to tap energy from renewable sources, promote renewable energy technology, research areas and their application in the field. However, all this failed to make any significant impact due to lethargic attitude of the Agencies involved and apparent inertia at Government level to take follow-up action.

3.3.7 Financial management

3.3.7.1 Budget Provision and expenditure

National Biogas and Manure Management Programme (NBMMP)

For implementation of the centrally assisted NBMMP, a target for each year is fixed by Ministry of New and Renewable Energy. Fifty *per cent* of Central Financial Assistance (CFA) is released as advance to the State. The balance is to be released on receipt of claims from the Agriculture Department. The programme envisaged payment of subsidy of Rs 3,500 to beneficiaries for installing bio gas plant on turnkey basis and Rs 700 as job fee for the licensed workers for doing the installation job.

The physical target and achievements, budget provision made by State Government and expenditure thereon for NBMMP are given below:

Table 1: Physical target/achievement and provision/expenditure of NBMMP

Year	Physical (Numbers)		Financial (Rs. in crore)	
	Target	Achievement	Budget Provision	Expenditure *
2003-04	2,500	2,357	1.00	0.85
2004-05	2,500	2,318	1.00	1.06
2005-06	1,303♦	1,381	1.00	0.80
2006-07	4,500	4,214	1.00	1.06
2007-08	4,500	2,273#	1.00	1.17
Total	**15,303**	**12,543**	**5.00**	**4.94**

Scrutiny revealed that:

Subsidy of Rs 1.60 crore was not paid to the beneficiaries due to non-receipt of Central assistance

- MNRE increased the annual target of biogas plants to 4500 from 2006-07 onwards. Though the Director of Agriculture had sent proposals for additional funds during 2006-07 and 2007-08, the State Government did not provide additional funds in the budget corresponding to the enhanced number of plants. They provided only Rupees one crore as in previous years. As a result, subsidy of Rs 92.99 lakh for 2214 biogas plants was in arrears during 2006-07.
- During 2007-08, subsidy of Rs 67.07 lakh for 1,597 biogas plants constructed had not been paid as no Central assistance was received.

Delay in reimbursement of CFA due to delay in submission of claim

- Agriculture Department had to submit the claim$ for settlement of the amount to GOI in the prescribed format along with consolidated utilisation certificate and audited statement of expenditure by 30 September of the succeeding year. There were delays of 16 months in submission of claim for 2004-05 and 12 months for 2005-06. Claim for 2006-07 due in September 2007 has not been submitted so far (October 2008) even after a lapse of thirteen months. Delay in submission of claims had resulted in delay in getting balance amount of CFA.
- Rupees 5.33 lakh relating to 2005-06 had not been released so far due to non-furnishing of audit certificate.

Other Programmes

The Plan Provision made by ANERT along with expenditure incurred during 2003-08 are as follows:

* Departmental figures for 2003-04: Rs 86.72 lakh; 2005-06: Rs 93.78 lakh; 2006-07: Rs.87.39 lakh have not been reconciled.

♦ Original target was 2000

\# Provisional – final figures are awaited from the department

$ Include subsidy of Rs 3500 and Rs 700 to the job worker

Table 2: Provision and expenditure of ANERT

(Rupees in crore)

Year	Programme	Plan allotment		Plan Funds received		Total	Plan expenditure	Percentage of Plan expenditure to Plan provision
		ANERT	State[*]	State	Central			
2003-04	ANERT	42.56	6.50	2.98	0.64	3.62	0.79	17
	IREP[♦]		3.50	Nil	0.82	0.82	6.49[$]	
2004-05	ANERT	40.05	6.00	3.00	0.19	3.19	0.85	06
	IREP		4.00	1.00	1.42[#]	2.42	1.38	
2005-06	ANERT	36.55	5.00	1.00	0.32	1.32	2.45[$]	10
	IREP		5.00	2.00	Nil	2.00	1.35	
2006-07	ANERT	46.67	8.00	2.00	0.13	2.13	1.45	09
	IREP		2.00	Nil	Nil	Nil	2.80[$]	
2007-08	ANERT	33.38	7.00	3.50	0.50	4.00	2.18[@]	11
	IREP		3.00	1.50	Nil	1.50	1.63[@]	
Total	ANERT	**199.21**	**32.50**	**12.48**	**1.78**	**14.26**	**7.72**	
	IREP		**17.50**	**4.50**	**2.24**	**6.74**	**13.65**	

It was seen in audit that:

- During the five year period 2003-08, the yearly Plan expenditure of ANERT was in the range of 6 *per cent* to 17 *per cent* of the budget allotment.
- Kerala Budget Manual stipulates that amount required for actual expenditure during the year should only be provided in the State budget. Though CFA was released directly to ANERT by GOI the State Government wrongly provided the Central share also in their budget. This was violative of the provisions in the Kerala Budget Manual.

ANERT spent only (54 *per cent)* Rs 7.72 crore out of Rs 14.26 crore received during 2003-08

- Against Rs 14.26 crore received during 2003-08 for implementation of ANERT programmes, the expenditure was only Rs 7.72 crore (54 *per cent*). During 2003-04 and 2004-05, only 22 *per cent* and 27 *per cent* of the funds received could be spent. The Director, ANERT attributed the poor performance of the organisation to drastic changes in the top administrative management level as a result of which all programme management set ups like Research Advisory Committee, Internal Technical Teams, etc., were either disbanded or disabled.
- CFA had been declining since 2003-04 as there were no active internal technical teams in ANERT to prepare and submit proposals for CFA or to take follow up action on schemes sanctioned by MNRE.

3.3.7.2 Delay in finalising ANERT budget

Rules and Regulations of ANERT provide that the Executive Committee should frame a budget of the estimated receipt and expenditure not later than February of preceding year along with the Annual Report for the previous year and place it before the Governing Body at its annual meeting, preferably in March of that year for consideration and approval. Substantial delays ranging

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[*] Relating to plan assistance to ANERT

[♦] Integrated Rural Energy Programme

[$] Excess expenditure over total receipts was met from huge spill over project fund balance with ANERT

[#] Relates to 2003-04, the amount received by State in 2003-04 was transferred to ANERT in 2004-05

[@] Denotes provisional figure

from four to eleven months were noticed in finalising the budget for the years 2004-05, 2006-07 and 2007-08 *vide* **Appendix XXXIII**. The delays in finalisation of budget contributed to tardy pace of implementation of projects. No reasons for delay in preparation of budget were on record.

3.3.7.3 Failure to claim balance CFA

CFA of Rs 4.18 crore claimed in March 2003 was not received so far as no follow up action was taken by ANERT

Under Solar Village Electrification Programme, MNRE sanctioned (January 2002) Rs 8.61 crore for installation of 13,438 Solar Home Lighting System and 865 Solar Street Lighting System in 173 colonies and released Rs 4.43 crore as advance. In March 2003, ANERT forwarded the Statement of Expenditure along with Utilisation Certificate (UC) to MNRE for claiming the balance CFA. No follow up action was, however, taken by ANERT after sending UC. Certain details sought for by MNRE in June 2006 were supplied by ANERT in February/March 2007. As a result, balance of Rs 4.18 crore had not been received up to September 2008. ANERT admitted (May 2008) the administrative lapse.

Due to lack of timely response to the Ministry's observations, ANERT did not receive Rs 1.43 crore

IREP in the State was implemented with the assistance of MNRE with the object of promoting various activities in rural areas for ensuring the energy security by enhanced utilisation of Renewable Energy Sources and the revised guidelines were issued by MNRE in July 2003. Under the programme, MNRE sanctioned (January 2004) CFA of Rs 2.85 crore with the condition that the State Government should spend an equal amount for the scheme and released Rs 1.42 crore as first instalment of CFA. ANERT spent Rs 2.07 crore for implementation of IREP during 2003-06. Of these, the State share was only Rs 0.65 crore. Though ANERT submitted the documents for settlement of accounts of IREP 2003-04 in August 2006 MNRE did not accept the documents submitted by ANERT as they were deficient/incomplete in many respects. As ANERT did not respond to the clarifications sought for by MNRE in October 2006, further second instalment of Rs 1.43 crore had not been reimbursed by MNRE as of September 2008. Thus lack of timely and adequate response to the Ministry's observations derailed the IREP programme in the State and no CFA was released from 2005-06 onwards.

3.3.7.4 Unutilised project funds and non-maintenance of project-wise accounts

The State Government provided funds to ANERT through their budget for implementation of Plan schemes/projects including IREP. This amount was drawn by ANERT and deposited in Treasury Public Account of District Treasury, Thiruvananthapuram. Expenditure on Plan schemes of ANERT was to be met from the funds available in the Treasury Public Account. The CFA for specific projects and IREP received directly from MNRE were deposited in State Bank of Travancore, Pattom.

Audit scrutiny revealed that unspent balance during 2003-04 to 2006-07 ranged between Rs 18.65 crore and Rs 21.98 crore. Despite having a sufficient unspent balance of project fund of Rs 15.73 crore as on 1 April 2007, ANERT received State Plan funds totalling Rupees five crore during 2007-08. The unspent balance amount increased to Rs 22.67 crore including interest of Rs 1.93 crore as on 31 March 2008. Therefore, release of Rupees five crore appear to be unnecessary as ANERT had sufficient funds available which it was not able to spend on project available with it.

ANERT had not maintained programme/scheme/project-wise accounts of the programmes conducted by them. In the absence of project-wise accounts details, receipt, expenditure and balance under each programme/scheme/ project could not be ascertained and diversion or misutilisation of funds provided for specific projects could not be ruled out. ANERT did not give specific reasons for this grave lapse.

The inability of ANERT to spend the funds available with it for the targeted projects indicated inadequate planning and budget monitoring. Though the underperformance was persistent and was disrupting the stated objectives of developing and promoting non-conventional sources of energy, Government did not take any corrective measures.

3.3.8 Implementation of projects

While the Agriculture Department was the State Nodal Department for implementing National Biogas and Manure Management Programme (NBMMP), ANERT was the main Government agency for developing and implementing various programmes in Non-conventional energy sector. The major programmes undertaken by ANERT during 2003-08 were Wind Energy Programme, Remote Village Electrification Programme, Biomass programme, Solar Photovoltaic Energy Programme, Biogas Programme, Rural Technology Programme, Information and Publicity and IREP. Implementation of Small Hydro Projects was undertaken by KSEB and Small Hydro Promotion Cell at EMC.

3.3.8.1 National Biogas and Manure Management Programme

National Biogas and Manure Management Programme (NBMMP), a 100 *per cent* Centrally Sponsored Programme is intended to provide fuel for cooking purpose and organic manure to rural households through family type of biogas plants. Against the target of 15,303 biogas plants during 2003-08, the achievement was 12,543 (82 *per cent*). Deficiencies noticed in the implementation of NBMMP in the offices test checked are given below:

- Coverage of SC/ST under the programme was far below the prescribed percentage of 25 (SC: 15; ST: 10) stipulated in the NBMMP guidelines. Physical verification of installation of biogas plants conducted by Audit in 16 Krishi Bhavans revealed that out of 224 biogas plants installed during 2003-08, only one SC beneficiary was covered under the programme. The Department attributed the non-coverage to weak financial position of SC/ST beneficiaries.
- Guidelines stipulated maintenance of permanent registers of beneficiaries at the District and State levels for inspection by the officers of MNRE and for audit verification purpose. However, it was noticed that the Principal Agricultural Officers of two* districts out of four districts test checked, and the Additional Director (Biogas) had not maintained the registers. In the absence of permanent register the

* Thiruvananthapuram and Kollam

Department could not ensure that the same beneficiary received assistance from other identical sources/identical schemes.

- Though the guidelines of NBMMP stipulates that the Department should select at least two villages each month for determining the status of biogas plants already set up in these villages and send reports thereto in quarterly progress reports, no such verification was done by the department.
- In Krishi Bhavans under Principal Agricultural Offices of Thiruvananthapuram, Kollam and Palakkad, no photographs of the beneficiaries with the completed Biogas Plant along with the subsidy disbursement records were kept, as stipulated in the guidelines.
- Serialised code for District/Block was not inscribed on the plants installed in the Krishi Bhavans in three out of four districts test checked.

The Director of Agriculture stated (September 2008) that instructions had been issued to Principal Agricultural Officers to rectify the deficiencies pointed out by Audit.

3.3.8.2 Wind Energy Programme

Low tapping of available energy sources -The total installed capacity of wind power in India, Kerala and some of the neighbouring states as of March 2002 and March 2008 were as below.

Table 3: Installed capacity of wind power

Name of state	Installed capacity (MW)		Percentage of progress
	March 2002	March 2008	
Karnataka	69.3	917.2	1,224
Tamil Nadu	877.0	3,711.6	323
Andhra Pradesh	93.2	122.5	31
Kerala	2.0	2.0	0
All India	16,66.8	78,44.5	371

Source: Annual Report 2007-08 of MNRE

While substantial progress was made during 2002-08 in tapping wind power at the All India level specially in neighbouring states, Kerala's installed capacity for wind power largely remained stagnant. No progress was made in the establishment of a demonstration wind farm of 4 MW capacity taken up by ANERT and KSEB in January 2006. Rupees two crore given to KSEB by ANERT in January 2006 has become an idle investment.

Survey identified (1996) 16 locations that were suitable for establishing wind-electricity generation farms with a total potential of 605 MW of power. During 2004-07 though ANERT received applications for technical approval of 192 wind energy generators (capacity: 118.2 MW), however, none of the generators were approved by ANERT (June 2007) due to delay in framing revised guidelines for development of wind power. After issue of revised guidelines, ANERT received applications for 53 generators (capacity: 34.8 MW) and cleared all the applications. As of June 2008, 29 generators of capacity 19.5 MW had been installed. Installation of remaining generators is in progress.

3.3.8.3 Remote Village Electrification Programme

Remote Village Electrification Programme (RVEP) of MNRE was aimed at providing basic lighting/electricity facilities through Renewable energy sources to unelectrified remote villages and unelectrified hamlets of electrified villages where grid connectivity was either not feasible or cost effective. The programme envisaged installation of Solar Home Lighting System (SHLS) and Solar Street Lighting System (SSLS).

ANERT did not receive Central assistance of Rs 8.31 crore due to non-submission of proposals as per MNRE guidelines

During January 2005, ANERT identified 9368 households in 115 colonies in 6 districts of the State for electrification under RVEP. The total cost to install 9368 SHLS (with devices having two year guarantee) was Rs 9.23 crore. The share of Central and State was Rs 8.31 crore (90 *per cent*) and Rs 92.27 lakh (10 *per cent*) respectively. The Rural Electrification Corporation (REC) had to issue a certificate to the effect that the villages/hamlets proposed to be covered were in remote area. But this was not obtained by ANERT till February 2007 as KSEB had not given assurance to REC regarding the feasibility of grid connection, cost effectiveness, etc. Though MNRE had repeatedly written to ANERT to finalise the list of colonies proposed to be covered, ANERT did not give any satisfactory reply because of non-receipt of the requisite certificate from REC. Finally in February 2007, ANERT dropped the scheme.

As a result of non-implementation of the programme, the inhabitants of the 115 targeted colonies were denied electricity facilities though GOI had agreed to finance 90 *per cent* of the cost (Rs 8.31 crore) of the project.

3.3.8.4 Bio-energy Programme

Bio-energy programmes are relevant to the State as this renewable energy source is suitable to address both the electrical and thermal energy needs in various sectors like domestic, community, commercial, industrial, etc., and a specific solution for the biodegradable waste management problem. The capacity requirement of Biogas Plants is in the range 15 cubic metre per day to 35 cubic metre. ANERT was to provide subsidy to Institutions at Rs 3,000 per cubic metre for Biogas-Thermal and at Rs 4,000 per cubic metre for Biogas-Electrical during 2004-05 and 2005-06 and Rs 5,000 per cubic metre for Biogas-Electrical from 2006-07 onwards. For District/Taluk Hospitals the plants were to be installed free of cost. Details of target and achievement during 2004-07 were as follows:

Table 4: Target and achievement of bio-energy programme

Year	Bio-energy Programme	Target (in cubic metre)	Achievement (in cubic metre)
2004-05	Biogas – Thermal	300	75
	Biogas – Electrical	100	-
2005-06	Biogas – Thermal	1,000	190
	Biogas – Electrical	250	-
2006-07	Biogas – Thermal	645	345
	Biogas – Electrical	105	65
	Biogas – Thermal (District/ Taluk Hospital)	300	210
	Biogas – Electrical (LSGIs)	300	-

Total expenditure on the programme during 2004-07 was Rs 99 lakh. During 2007-08 no project was taken up by ANERT as the programme was linked with Total Energy Security Mission (TESM). ANERT attributed the shortfall in achievement during 2006-07 to withdrawal of applicants due to their financial limitations. ANERT was required to formulate acceptable schemes to popularise the bio-energy programme in the State.

3.3.8.5 Small Hydro Projects

Hydro projects up to 25 MW station capacity have been categorised[*] as Small Hydro Projects (SHPs). According to EMC the total Small Hydro potential of the State was estimated as 500 MW. The State has made little progress in tapping Small Hydro Potential. Up to March 2008, 11 SHPs with an installed capacity 322.75 MU had been installed in the State. Of these, nine SHPs (207.75 MU) were owned by KSEB and two by private agencies (115 MU). The capacity addition by KSEB during 2003-08 was only 109.85 MU from five SHPs.

In January 2003, the State Government constituted a Small Hydro Promotion Cell within Energy Management Centre under the direct control of Power Department for development of SHP. The cell was entrusted (February 2003) with 61 SHP Schemes (installed capacity 161 MW) identified by KSEB for implementation. Till April 2008, EMC had allotted only 11 projects (capacity 43.75 MW) to private developers through competitive bidding between 2004 and 2006 after levying an upfront fee[$] of Rs 75.65 lakh. None of the developers have started power generation. Though EMC tendered the remaining schemes for allotment, the developers did not show any interest due to environmental and rehabilitation issues particularly the difficulty in acquiring forest land.

3.3.9 Working of Research and Development Wing

ANERT has an in-house Research and Development **(**R&D) wing in its headquarters at Thiruvananthapuram. Out of sanctioned posts of 11 Scientists only four Scientists were working in ANERT. Of these, only one Scientist was actually engaged in R&D wing doing one small project on 'LED based Solar Lighting Unit'. Of the remaining three Scientists one was working at Headquarters for providing clearance for wind mills related project, one was working in Alappuzha district for implementation of IREP and the other in Renewable Energy and Rural Technology Centre, Palakkad. During 2004-07, out of Rs 7.45 crore provided for R&D activities, only Rs 3.33 lakh was actually spent. ANERT stated that most of the Scientists left the firm due to lack of promotional avenues, encouragement and motivation, etc., in the work place.

3.3.10 Internal control

Deficiency in internal control system

The main objective of the internal control system is to gear up the supervisory controls and management systems in the organisation so as to insulate it from financial irregularities, frauds and also to have a proper control over implementation of various programmes. ANERT is the main organisation in development and promotion of Non-conventional energy in the State,

[*] As per definition of Renewable Energy given in Renewable Energy Policy 2002.
[$] Premium per MW quoted by the bidders and payable to the State Government

therefore, the deficiency in its internal control systems adversely affected the implementation of various programmes.

- As per Rules of ANERT, the Governing Body was to meet at least once in six months and its Annual General Meeting was to be held within six months of the closure of the financial year to consider the Annual Report and audited accounts of the preceding year. The periodicity of the Governing Body meeting was not adhered to. The time gap between second and third meeting was 14 months and that between fourth and fifth was 17 months.
- Control and functioning of ANERT was affected due to organisational problems like frequent changes at top level, shortage of personnel at middle level management resulting in delays in decision making, total lack of direction and monitoring, etc. Continuity of the functioning of office and accountability thereon were also affected due to employment of personnel on deputation basis, contract basis, daily wages, etc.
- The Internal Audit wing at ANERT was not effective as no Internal Audit Manual to streamline the functioning of internal audit and no periodicity of audit, audit plan, etc., were prescribed.
- There was no proper watch over adjustments of advances paid to Programme Implementation Officers and staff. Advance of Rs 94.03 lakh relating to 2006-08 was pending settlement as of September 2008.
- Large quantities of serviceable/unserviceable articles (valued: Rs 68.58 lakh) were held in stock[#] without disposal. Annual verification of stock has not been conducted from 2005-06 onwards.

3.3.11 Conclusion

Though Kerala has a huge identified renewable energy potential, it remained practically untapped. The Renewable Energy Policy issued by the State Government in 2002 to give a boost to power from renewable sources did not produce any significant impact as the agencies involved did not take necessary follow up action to implement the Policy. Due to internal systemic deficiencies, ANERT could not utilise the funds available under various schemes resulting in accumulation of huge unspent funds. Implementation of most of the schemes was tardy and as a result power generation from various renewable sources remained practically stagnant. No projects of GOI were taken up for implementation by ANERT during 2004-08 due to non-preparation and submission of proposals for CFA. Failure to submit timely proposals for electrification of 115 colonies in six districts under Remote Village Electrification Programme in accordance with the MNRE Guidelines resulted in loss of CFA of Rs.8.31 crore. The achievement of implementation of Biogas Plants by ANERT under Bio-energy programme was poor during 2003-07. The Research Wing was practically non-functional due to non-availability of Scientists for research work. Absence of effective internal control system in ANERT affected all the activities of the organisation.

[#] Source: Annual Accounts of ANERT for 2004-05 certified by Chartered Accountants

3.3.12 Recommendations

- Government may consider revising the policy in the light of current developments in the sector, specifying the various concessions and incentives available and defining the roles of various agencies involved.
- Assistance to ANERT from State Government to be regulated in accordance with the actual requirements.
- Government should take early action to rectify the administrative weaknesses and the systemic deficiencies in ANERT and identify reasons for dismal performance in the development and promotion of energy from Renewable sources.
- A monitoring system at the Government level may be established to coordinate the activities of various agencies involved.
- ANERT should provide greater importance and thrust to Research activities.
- An efficient and effective Internal Control Mechanism needs to be established in ANERT and the Internal Audit Wing strengthened for better performance in future.

Government accepted all the recommendations during the exit conference and promised to take early action to implement them.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

REVENUE DEPARTMENT

3.4 IT Audit of Computerisation of Survey and Land Records in Land Revenue Department

Highlights

The Project 'Computerisation of Land Records' started in 1991 as a cent per cent Centrally Sponsored Scheme is in data entry stage even after 17 years. The primary objective of the scheme, 'Issue of computerised Record of Rights' could not be achieved as necessary amendments to Acts and Rules were not made. The hardware purchased exclusively for Taluk offices at Rs 3.58 crore were lying idle for more than three years due to non-commencement of on-line operations and expenditure of Rs 1.55 crore incurred for digitising survey maps became wasteful as no adequate care was taken while assessing the technical requirement. Some of the other important points are indicated below:

➢ **Computerised certificates were being issued with unvalidated data.**

(Paragraph 3.4.3.4)

➢ **Thirty years would be required to complete the resurvey work, if the progress of resurvey continues at the current pace.**

(Paragraph 3.4.3.6)

➢ **Digitisation of Field Measurement Book has been completed only in 66 out of 1,453 villages even after 10 years.**

(Paragraph 3.4.3.7)

- **Breach of IT security by way of unauthorised access to the backend data and sharing of user name and password.**

(Paragraph 3.4.3.15)

- **Lack of input controls leading to duplicate *Thandaper* (title holder) numbers and multiple numbers for the same person resulting in generation of wrong reports.**

(Paragraph 3.4.3.17)

3.4.1 Introduction

3.4.1.1 The Project

Digitisation of land records - Basic Tax Records (BTR) - commenced in Kerala (1990-91) as a 100 *per cent* Centrally Sponsored Scheme (CSS), which was an extension of the pilot project implemented by GOI in 1988-89 in eight districts of eight States. The scheme was in fact coupled with another CSS[1] in existence from 1987-88. The first phase ended by 1997. After a gap of six years, another 100 *per cent* CSS to digitize *Thandaper* (Title holder number) began in 2003. Simultaneously, an e-Governance programme (May 2003) under Ministry of Communications and Information Technology (MCIT) selected Kottayam as a pilot district for replicating Land Record System on the lines of *Bhoomi* Project of Karnataka. This project functioned as a continuation of the first phase of computerisation, i.e., computerisation of BTR.

3.4.1.2 Organisational set-up

Revenue Department, responsible for upkeep of land records and collection of tax, is headed by the Principal Secretary (Revenue). The Commissioner of Land Revenue, Secretary, Land Board and the Director of Survey and Land Records are responsible for the implementation of the scheme in the respective areas. There are 14 Revenue Districts headed by District Collectors. There are 63 Taluk Offices headed by Tahsildars and 1453 Village Offices headed by Village Officers in the State. No Monitoring Committee was set up in connection with the Land Records computerisation project.

3.4.1.3 Objectives of computerisation

The objectives of computerisation were to facilitate easy maintenance and updating of land records, enable comprehensive monitoring, ensuring that the records are tamper proof, reduce litigation and disputes, provide a management information system to assist various developmental programmes, help in infrastructure development planning and provide information for agricultural census. Among other things, the MCIT project had the primary objective of providing a Record of Rights (RoR) to land owners.

3.4.1.4 The System

Computerised land records management system was envisaged to maintain the land revenue database including digitised survey maps from which all the registers maintained could be generated. For the period up to 1997, the

[1] Strengthening of Revenue Administration & Updating of Land Records (SRA&ULR), a 50 *per cent* CSS concentrating on infrastructure building in Revenue department and modernising of the Survey department

application software used to capture BTR was developed in FoxBASE on a Unix platform. In 2003, the *BHOOMI* package developed by NIC for Karnataka was customised and named EMERALD for pilot implementation in Kottayam District. The same package was also used to capture *Thandaper* details. In Kottayam, all village offices could be provided with computers utilising funds from various sources and hence data entry was done at village offices. But in other districts, computers could not be provided to all village offices and instead taluk offices were provided with computer infrastructure. Records belonging to village offices were brought to taluk offices for data entry. In Kottayam the package worked as a standalone version for each village, but in other districts it was to work as an integrated database (network located at taluk office with a server and 10 terminals) catering to data entry of all village offices coming under each taluk. This necessitated modification to the application package. Therefore for the roll out of pilot implementation to other districts by 2005 EMERALD was modified to another version by name BHOOREKHA.

Records of Revenue department are dependant on the resurvey conducted by Survey department. NIC, therefore, developed map drawing package (using PostgreSQL relational database with Java) by name COLLABLAND for Field Measurement Book (FMB) Map Plotting[2]. The software has facility to enter ladder data[3], subdivision point data[4], boundary and adjacency data[5], drawing of plot maps, assessing of Global Position System (GPS) co-ordinates and computation of line length. NIC also developed IDEALS (Visual Basic with SQL Server/MSDE) for capturing textual data relating to ownership of land. Both these packages were put to use by Survey department since June 2005.

3.4.1.5 Financial Status

Out of Rs 12.61 crore released for the computerisation project, Rs 10.78 crore (i.e. Rs 8.74 crore by the District Collectors; Rs 1.56 crore by the Director of Survey and Land Records and Rs 48.09 lakh for training) has been utilised up to 2007-08. In addition Rs 1.40 crore under e-Governance project was also released for setting up of computer centres in taluk offices.

[2] COLLABLAND is a software to draw maps using the co-ordinate values (derived from resurveying with the help of GPS and Electronic Total Stations), which are available in the Field Measurement Books. The map data stored in volumes correspond to Field Measurement Books.

[3] Ladder data is a component of Field Measurement Book. Field line points in a map are defined with reference to an offset distance from the G-Line. The offset distance may be to the left or right side of the G-Line. This left or right angle deviation (offset) is depicted by Ladder. By converting the ladder details into electronic data, one can produce the outline of the FMB sketch. [G-Line is an imaginary line which converts the map into various sizes of triangles in order to accurately fix the boundary lines and the various points in the map. This line is the foundation on which the entire map is built.]

[4] Subdivision lines demarcate a small parcel of land within a survey number. Subdivision lines are defined through a ladder. The data required (offset distance figures) to draw a subdivision line is subdivision point data.

[5] Each survey number is divided into several sub divisions. Each sub division is owned by a land owner. The dimensions of each boundary of a subdivision are subdivision data. The dimensions of adjacent plots are adjacency data.

3.4.2 Audit Objective, Scope and Methodology

Computerisation of Land Records (CLR) started in 1991 and Government invested Rs 12.61 crore on this project. The Project is officially declared complete only in one out of fourteen districts. Audit objective was to evaluate the process of implementation of the project, causes of delay together with the extent of achievement of objectives in the district where the project was implemented. Audit also evaluated the system to see whether the required controls were in place to ensure the intended results.

Audit covered 10 out of 95 villages and four Taluks in Kottayam District where MCIT[6] scheme was implemented. Three other districts[7] were also covered. Audit was conducted from April to August 2008.

3.4.3 Audit Findings

3.4.3.1 Implementation of the project

Project in data entry stage even after 17 years

Though the Computerisation of Land Records project commenced in 1991-92, it is still in data entry stage except in one district. The main reasons attributed to the delay were the delay in completion of resurvey, lack of trained man-power and absence of monitoring cell at the State level. Though GOI issued (1999) revised guidelines for procurement of hardware, computers for the purpose were procured only during 2002-03.

3.4.3.2 Acts and Rules to generate documents through the system

Primary objective of computerisation could not be achieved for want of amendments to Acts and Rules

Issue of Record of Rights, the primary objective of computerisation, could not be accomplished for want of necessary amendments to Acts and Rules. Even though some activities including *Pokku Varavu* (PV – transfer of rights) are done through the system, receipts for money are issued manually. These facilities are provided in the software, but could not be put to use pending legislation required for the purpose.

3.4.3.3 Digitisation of Basic Tax Records

Delay in data entry due to errors in NIC software

There are approximately a total of 1.06 crore basic tax records in the State. Initially the data entry was done in UNIX platform (up to 30 November 2004). Later the platform was changed to Windows. Percentage of completion of data entry of land records varies from 40.03 *per cent* to 100 *per cent* in various districts with an average of 82.54 *per cent* (up to 31 August 2007). Delay in recapture of data consequent on data loss which occurred during porting of legacy data and the delay in rectification of errors in NIC software (2006) lagged the digitisation of BTR.

3.4.3.4 Validation of data entry

Certificates were being issued with unvalidated data

Data entry of legacy data was done by *Kudumbasree* (an NGO). This data was not validated although formally accepted by the department. The village offices in Kottayam district started issuing various certificates using unvalidated data. However, issue of wrong certificates may lead to legal complications.

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[6] Ministry of Communication and Information Technology, GOI: Bhoomi project of Karnataka was replicated.

[7] Thiruvananthapuram, Pathanamthitta and Malappuram

3.4.3.5 Status of computer hardware and printers

Hardware and software purchased for Rs 3.58 crore could not be put to effective use during the last four years

As a part of computerisation of land records one server, three PCs, laser printers, scanners and software like SQL Server were provided in 63 Taluks at a cost of Rs 2.38 crore (March 2003). Two PCs and one touch-screen kiosk were additionally provided to Taluks at a cost of Rs 1.20 crore. But hardware and software could not be put to effective use during the last four years due to delay in completion of data entry and validation. The warranty period for the hardware was already over and by the time the data entry is complete the hardware may become obsolete.

3.4.3.6 Completion of re-survey

It would take 30 more years for completion of resurvey at its current pace

Delay in completion of re-survey has adversely affected the implementation of CLR project as Basic Tax Records are the outcome of resurvey. Out of the total geographical area of 38,863 square kilometres (Sq km) in the State, department had planned to resurvey 32,510 Sq km. Of 32,510 Sq km required to be resurveyed, only 20,574 Sq km was completed (May 2008). The area resurveyed during the last five years was only 2007 Sq km, i.e., 401.4 Sq km per year. At this pace it would take 30 years to complete the remaining area of 11,936 Sq km.

Delay in completion of re-survey is attributed to diversion of staff for handing over of re-survey records to Revenue Administration and diversion of staff for survey adalats since 1988. Re-survey could be resumed only in 2002. Though the Survey Department has procured modern equipment such as ETS[8] (105 numbers), there was only marginal progress. A monthly target for survey using the ETS has not been prescribed and there is no managerial mechanism to monitor progress of completion of re-survey.

3.4.3.7 Digitisation of FMB

No time limit set for the completion of digitisation

Where re-survey has been done and survey maps exist, the same has to be updated to include all sub divisions made due to mutation and then digitised. Where re-survey is taken up afresh, it is to be done using ETS in which case data available is in digital format and can be used directly in the software.

A scrutiny of records revealed that there was no considerable progress in digitisation of FMB during the last 10 years. As per information available (November 2007) digitisation work was taken up only in 103 out of 1,453 villages of which only 66 villages have been completed. No time limit has been set for the completion of digitisation.

3.4.3.8 Expenditure amounting to Rs 1.55 crore incurred to digitize the survey details

Wasteful expenditure of Rs 1.55 crore due to improper planning

During the period from 1999-2000 to 2003-04 an amount of Rs 1.55 crore was paid to three agencies[9] for digitising the survey maps. These agencies used their own software to digitize the cadastral maps[10] and digitised data were

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[8] Electronic Total Stations (ETS) are instruments used for land surveying and mapping. They are capable of measuring distances up to 3 KM.

[9] Rs 55,50,000 (M/s NIIT GIS Ltd); Rs 53,65,000 (M/s Visionlab) and Rs 45,36,850 (M/s Siemens)

[10] A cadastral map is a map showing the boundaries and ownership of land parcels.

handed over to the department in CDs. But, the digital data could not be ported to COLLABLAND, the software developed by NIC and the whole records had to be digitised again in a format compatible with COLLABLAND. This was because the department did not take adequate care while assessing the technical requirements of interfacing software. Thus, Rs 1.55 crore was rendered wasteful on this account.

3.4.3.9 Inconsistencies and discrepancies in the area of land captured in the system

In Kottayam District in 20 out of 95 village offices test checked, it was noticed that there existed difference between extent of land in manual records and database and the reasons as revealed by the staff during discussion were attributed to the following.

i) Survey adalat sanctioned more area in certain subdivisions in a survey number in settlement of complaints received from the parties without altering the corresponding area in other subdivisions. So the main BTR did not match with the total area of subdivisions.

ii) Some PV entries were entered in the computer as BTR entry causing duplicity in the total area of a survey subdivision number.

iii) In some cases supplementary BTR was entered without editing the area of main BTR causing errors in the area of that particular sub division number.

iv) Some errors also occurred in the manual calculation of existing BTR.

v) Duplication in Survey subdivisions and Sub Nos. due to incorrect data capture.

3.4.3.10 Insufficiencies in EMERALD/BHOOREKHA

Provision in software for monitoring revenue

BHOOREKHA has no provision to prepare DCB statement

Taluk/Village Offices are responsible for collection of basic land tax, plantation tax, irrigation tax, lease rent, tree value and fine. As the particulars of collection were stored in remarks (memo) field, the system cannot be used to prepare DCB statement forcing the department to depend on manual statements susceptible to human errors.

Provision to capture details of flats/multiplexes

No provision to enter details of flats/multiplexes into the database

There is no provision to enter transactions relating to PV for sale/transfer of flats/ multiplexes. As a result the electronic database created does not contain the *thandaper* details relating to these transactions.

Thandaper pakarpu

In the manual system the *thandaper pakarpu* (report of title, required to be furnished to taluk office periodically) contained all the PV transactions of each person. But the system generated report shows only the latest position of land, compelling the department to rely on manual reports.

3.4.3.11 Risk of issuing wrong certificates due to non-availability of centralised database

In the absence of network connectivity, instead of making available the centralised database available in the District Collectorate, standalone packages are installed in village offices. As the extent of land holdings of an individual in the whole district/taluk cannot be generated from the standalone system, information on solvency, income, land possession, etc., would not be complete. This may result in the risk of issuing wrong certificates.

3.4.3.12 Lack of trained man power due to lack of perspective planning for IT implementation

Transfer of trained staff adversely affected the implementation of the scheme

In 20 out of 95 village offices test checked in Kottayam, audit observed that by the time a staff member was adequately trained in the system he was replaced with an untrained staff, by transfer or promotion, who was not trained/skilled in the system. This adversely affected the pace of computerisation and day-to-day functions. This showed lack of commitment in implementation of the project.

3.4.3.13 Physical condition of premises keeping records/computers

Many village offices were housed in old tile-roofed buildings without ceiling, sufficient space and required protection. In the absence of racks/shelves to keep the registers/records, records were dumped on battery racks exposing it to the threat of fire. There were instances of theft of computers in Village offices in Kottayam district. The buildings were also not protected against lightning.

3.4.3.14 Logical Access Controls

Non-deactivation of past users

There is no provision in the software to disable a user on his shifting due to transfer/retirement etc. As a result many non-functional users were still active in the system in test checked village offices. This may result in the risk of unauthorised access to the system. At the same time anyone proficient in SQL Server can access the back end and delete the user. This may further result in deletion of important logs of users kept in the database.

Breach of IT security due to option to by-pass the bio metric login control

Fifteen village offices in Kottayam district were provided with biometric devices for capturing thump impressions for ensuring a fool-proof logical access control which worked at the Operating System Level. But it was seen that an option to by-pass the biometric login has also been provided in the system defeating the very purpose of the additional security provided.

3.4.3.15 Segregation of duties

Access to back end data

IT security risk due to non-restriction of unauthorised access to backend data

The basic stipulation of IT Security is that access to back end data should strictly be restricted to personnel with administrator role and all other users irrespective of their position should be given only access through front end in order to avoid chances of modification of data inadvertently or maliciously. However, it was observed in audit that IT Clerks entrusted with taluk level coordination were accessing the back end data. It was found that anyone who is conversant in SQL Server could access and manipulate the back end data as permission to access back end had not been restricted. This is a serious IT Security risk which may lead to unauthorised modification of data.

IT security risk due to sharing of user ids and passwords

IT security risk on account of sharing username and passwords

BHOOREKHA/EMERALD envisages three levels of access – administrative, supervisory and data entry level. But it was seen that users were not created as per the levels of access provided. In most of the village offices test checked, data entry and verification were done through the same login ID and password. Village Officer's user id and passwords were used by all the staff.

It was seen in Nattakom village that user names were entered as Village Officer, Village Man and Village Assistant. The passwords were shared by all the users. As there was staff at different levels with different delegation of powers in a village office it is important to use separate user ids and passwords by each user to ensure segregation of duties as per rules. Even though the Village Officer only is authorised to 'APPROVE' a PV as per the delegation of powers, a village man would also be able to 'APPROVE' the same as he was also logging in as a Village Officer.

Sharing of id by different users would result in unauthorised modification of data for which it would not be possible to fix responsibility at a later stage.

3.4.3.16 Business interrupted due to absence of Business Continuity Planning and Backup policy

Depending upon the criticality of the data and IT system and affordability of data loss, a suitable Business Continuity Plan and Back up policy have to be evolved in each organisation and circulated among users for compliance. In the event of a breakdown and data loss, in order to resume functioning of an IT System within an affordable time limit, back up of data should be available and a suitable Business Continuity Plan should be in place. But the Department did not have a documented Business Continuity Planning and Back up policy.

i) In most of the offices visited by the Audit team, it was seen that there was no fixed periodicity for taking a back up and when backups were taken it was stored in another drive of the same computer. Though it was stated that fortnightly backup was taken in CDs and sent to Taluk Offices and monthly backup was stored in NIC server at the District Collectorate this was not properly monitored. Data recovery testing was not done.

Village Office, Kumarakom had to re-enter the entire data after loss of data since there was no backup

ii) In village Office, Kumarakom the complete data was lost due to failure of the hard disc. There was no back up and the entire data was required to be re-entered from the original records. When the audit party visited the office the lost data was not completely re-captured (April 2008).

iii) In Chengalam village office in Kottayam Taluk the data transmission tower, two PCs and the UPS were damaged due to electrical surge in lightning two weeks before the audit party visited the office and were still to be restored (April 2008). Complete data was also lost. Proper functioning of the office was in jeopardy due to this failure.

3.4.3.17 Lack of input controls leading to duplicate Thandaper[#] numbers and multiple numbers for the same person

On a scrutiny of the pattadhar[*] list generated from the software, it was seen that multiple thandaper numbers were issued to the same person in a particular block in a village office. If a report on land holdings of a particular person is generated, all the land held by him will not be displayed as multiple thandapers were assigned to a land owner. This means that a certificate generated in respect of a particular person may not reflect a true picture regarding the land in his possession.

No field in database to uniquely identify pattadhars

In the manual system the thandaper numbers were allotted chronologically without any gap. As there were no input controls in place in the system in respect of the thandaper number field to ensure the sequence in number, the thandaper numbers in the system are in random order. Junk and meaningless characters were also seen in the database. In some cases it was seen that there were duplicate thandaper numbers, e.g., Village Office, Kumarakom. This is because of the fact that there is no field in the database to uniquely identify each pattadhar.

3.4.3.18 Budget allotments to the village offices

Inadequate budget allotment affecting the functioning in a computerised environment

In Kottayam district, all village offices were provided with computers and accessories under various schemes. Even in offices where one computer has been provided, a 3-KVA UPS, with higher capacity backup batteries had been supplied. The batteries connected to the UPSs are now more than three years old requiring replacement. The department had not earmarked funds required for the replacement of batteries. Similarly, consequent on the dependence of computers for official business the fund required for the consumables such as paper, cartridges, CDs, etc., also increased. Audit found that many village offices were not having funds for purchasing computer consumables. The Department did not provide sufficient funds to ensure uninterrupted functioning of offices.

3.4.4 Conclusion

A socially relevant IT Project could not be completed even after the lapse of 17 years since it was launched. This was mainly due to lack of planning and commitment at various levels in the Departments concerned. A Project monitoring committee was not formed for the proper monitoring and implementation. Completion of the Project depends mainly on the completion of the resurvey of land, digitisation of cadastral maps and connectivity between the concerned offices. There is no co-ordination among the departments involved viz., Revenue, Survey and Registration. Despite releasing Rs 12.61 crore for such a socially important e-governance project, the desired results are yet to be achieved.

3.4.5 Recommendations

- Monthly target should be fixed for the completion of resurvey and the progress should be monitored at State level so as to ensure a time bound completion.

[#] Title holder number. Different holdings of a person in a village will hold a single *thandaper*.
[*] Land owners

- Urgent steps should be taken to make legislations required to legalise the activities/documents generated in IT environment.
- A password/backup policy and a Business Continuity Plan should be formulated and circulated for compliance.
- All the highlighted issues should be addressed before replacing the existing two schemes (CLR and SRA&ULR) with the proposed National Land Records Modernisation Programme (NLRMP).

The above points were referred to Government in September 2008; reply has not been received (October 2008).

AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

3.5 Veterinary Services and Livestock Development

3.5.1 Introduction

Livestock rearing is one of the important activities in the rural areas of the State providing supplemental income for most of the families dependant on agriculture and is the chief support for many landless families. The main species of livestock found are cattle[*], buffalos, goat and pig. Eighty *per cent* of live stock farmers are small and marginal farmers and agricultural labourers.

At Government level Secretary, Animal Husbandry Department, is the controlling officer who is assisted by the Director. At District level, Joint Directors, Deputy Directors, Veterinary Surgeons are responsible for implementation of various schemes related to veterinary services and live stock development in the field.

A performance audit of the major activities[#] of Animal Husbandry Department, including schemes implemented by the Dairy Development Department revealed the following:

3.5.2 Funding

The budget provision and expenditure of the Department during the period 2003-08 were as follows:

Table 1: Budget provision and expenditure

(Rupees in crore)

Year	Revenue			Capital		
	Provision	Expenditure	Saving (percentage)	Provision	Expenditure	Saving (percentage)
2003-04	118.91	97.08	21.83 (18)	4.07	0.04	4.03 (99)
2004-05	128.91	109.34	19.57 (15)	2.48	0.23	2.25 (91)
2005-06	131.05	126.41	4.64 (4)	8.15	3.08	5.07 (62)
2006-07	150.45	129.83	20.62 (14)	22.05	5.24	16.81 (76)
2007-08	163.33	149.90	13.43 (8)	15.65	1.91	13.74 (88)
Total	**692.65[$]**	**612.56**	**80.09 (12)**	**52.40[$]**	**10.50**	**41.90 (80)**

[*] Cattle refer to cows and oxen

[#] Except Special Livestock Breeding Programme which was included as Paragraph 3.7 in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007(Local Self Government Institutions).

[$] Does not include funds received directly from Government of India

Eighty *per cent* of budgeted funds under capital section during 2003-08 remained unutilised

Eighty *per cent* of the provision made during 2003-08 under capital remained unutilised mainly because projects approved under Rural Infrastructure Development Fund like construction of building for veterinary college at Wayanad and Veterinary Health Care Institution had not been taken up due to non-receipt of administrative sanction from State Government.

The Department deposited Rs 90.40 lakh[#] with Public Works Department (December 2005 and March 2007) for construction of a building for District Veterinary Centre, Kollam and modernisation of clinical laboratory, Kannur. The construction had not yet started (July 2008).

3.5.3 Health Care facilities

3.5.3.1 Functioning of VHCIs

82 *per cent* of the cattle population was crossbred

As per 2003 Census 82 *per cent* of the cattle population was crossbred. This has increased the susceptibility of animals to various kinds of diseases. In order to ensure an effective health care and delivery system, the Animal Husbandry Department had 1,154 Veterinary Health Care Institutions (VHCIs) comprising dispensaries, hospitals, polyclinics and District Veterinary Centres. District Veterinary Centre (DVC) is the highest ranking institution in a district. In addition, there are nine Mobile Veterinary Hospitals and clinical laboratories attached to DVCs. The Department had not fixed norms relating to the minimum facilities to be provided to each category of establishment. Scrutiny in four[*] District Veterinary Centres and 12[$] Hospitals/Dispensaries in the selected districts revealed that:

DVCs were located in the heart of the cities/towns making it difficult for large animals

- X-ray facility was not provided to DVC, Thiruvananthapuram due to shortage of space. In DVC, Kannur X-ray machine purchased in 1999 at a cost of Rs 2.60 lakh had been kept idle for the last eight years as a Radiographer was not posted.
- DVCs were located in the heart of the city/town and traffic congestion often prevented farmers from bringing large animals to these centres. Thus the treatments in these centres were confined mainly to pet animals like dogs, cats and birds.
- Operation theatres of the DVCs were used mainly for small animals
- Large animals required attention at the farmer's premises. As such cases were not posted in the OP register, the data on this was not available.
- One veterinary dispensary at Kakkayangad in Kannur district did not have basic facilities like electricity, water and space for examining animals.
- None of the VHCIs provided round the clock service.

[#] Kollam: Rs 87 lakh (March 2007) and Kannur: Rs 3.40 lakh (December 2005)
[*] Thiruvananthapuram, Kollam, Ernakulam and Kannur
[$] Veterinary Dispensaries at Navaikulam, Alamukku, Perumkadavila, Vengola, Nallad, Kakkayangad, Kunhimangalam, Kudiyanmala and Veterinary Hospitals at Anchal, Chavara, Chathannoor and Nedumbassery

3.5.3.2 Staff shortage in Health Care Institutions

In Kannur District there was shortage of Veterinary Surgeons and Livestock Inspectors

In Kannur (northern district) there was shortage of 54 *per cent* of Veterinary Surgeons and 28 *per cent* of Livestock Inspectors. Regular Veterinary Surgeons were not posted in Veterinary Poly Clinic, Chempanthotti, Veterinary Hospital, Udayagiri and Veterinary Dispensary, Koottumugham, which had large number of cattle population.

3.5.3.3 Issue of medicine

Sanction from Government not received, hence medicines were not purchased in 2001-03

Government permitted (June 1988) the Director of Animal Husbandry to purchase veterinary medicines from Government firms without inviting tenders. The permission was withdrawn in February 2001 and no purchase was effected during the years 2001-02 and 2002-03 due to non-receipt of sanction from Government. As a result the veterinary hospitals and dispensaries were not able to issue medicines and hence their functioning was severely affected.

Till 2003-04 the requirement of medicines for a year was assessed at the Directorate level based on the consolidated data collected at district level from the field offices. During 2004-05, no separate assessment of requirement was made and purchase was based on the assessment made in 2003-04. In order to avoid delay in processing the consolidated data, State Government approved (July 2005) a list of common medicines, essential drugs and the quantity to be supplied to each category of VHCIs. The annual requirement of funds was assessed at Rs 16.00 crore and the purchase was made based on this list from 2005-06 onwards.

The funds for the purchase of medicines were included in the budget under the head of account 'Strengthening and re-organisation of Veterinary Services'. The details of provision and expenditure during 2003-08 were as follows:

Table 2: Provision and expenditure on purchase of medicines

(Rupees in crore)

Year	Provision and its percentage	Funds set apart to meet expenditure on previous year's supply orders received during the year	Balance fund available for the current year	Month/ date of issue of Administrative Sanction by Government	Amount of supply orders	Approval of supply orders by Govt.	Total expenditure during the year
2003-04	8.25 (52)	Nil	8.25	August 2003	2.07	October 2003	1.70
2004-05	8.00 (50)	1.64	6.36	July 2004	5.91	March 2005	1.31
2005-06	8.50 (53)	4.82	3.68	April 2005	4.05	February 2006	5.04
2006-07	6.75 (42)	3.93	2.82	November 2006	3.21	March 2007	3.20
2007-08	6.75 (42)	3.04	3.71	October 2007	4.10	March 2008	3.20
Total	**38.25**	**13.43**	**24.82**		**19.34**		**14.45**

It was observed in audit that

Department utilised only 25 *per cent* of the provision in 2003-04

- During 2003-04 supply orders were placed for only 25 *per cent* of the provision though medicines were not in stock owing to non-procurement during the preceding two years. The reason for non-utilisation of funds was due to non-issue of sanction by Government for the proposals forwarded in February 2004.

The annual provision for purchase of medicine ranged from 42 to 53 *per cent*

- Against the annual requirement of Rs 16 crore the budgetary provision in all the years from 2005-06 was much below the requirement and ranged between Rs 6.75 crore and Rs 8.50 crore (42 and 53 *per cent)*.

Supply orders were approved by Government in February/March every year since 2004-05

- The supply orders to the firms were usually approved by Government only in February/March each year since 2004-05. This was because the department had to first obtain administrative sanction for purchase from Government and then obtain sanction from Government for placing supply orders. Due to this cumbersome procedure the very intention of Government in prescribing a standard list of common/ essential medicines was defeated. This contributed to non-utilisation of provision made during these years.

Thus the department failed to ensure adequate supply of medicines to the VHCIs during the period of review.

3.5.3.4 Supply of essential medicines and sundry materials

Deworming medicines supplied were insufficient

The major diseases found in cattle and buffalo population were digestive system disorders and Parasitism*. Out of 29.75 lakh cases treated in 2006, 57 *per cent* belonged to these two categories. The main cause of digestive system disorders is unhealthy feeding practices followed by majority of the farmers. Routine deworming is the treatment for parasitism. De-worming medicines were in short supply in all the 16 test checked VHCIs and were utilised within three to six months during the year.

Sundry articles like bandages, towel, disinfectant, etc., were not supplied

In addition to medicines, sundry materials such as absorbent cotton, bandages, cloth, towel, disinfectant, carbolic soap, etc., were also to be procured and supplied to VHCIs. It was noticed that articles like bandages, towel, disinfectant, etc., (except absorbent cotton supplied in 2004-05) were not supplied and regular supply of full arm gloves which is an essential requirement in cattle treatment was not available in any of the 16 VHCIs test checked.

Thus the services rendered by the VHCIs were deficient due to shortage of medicines, other sundry materials and shortage of Livestock Inspectors and Veterinary Surgeons especially in northern districts of the State.

3.5.4 Implementation of Central scheme

3.5.4.1 Assistance to States for control of Animal Diseases

GOI introduced (May 2003) a new scheme ‘Assistance to States for Control of Animal Diseases (ASCAD)’ under the Tenth Plan by merging three@ existing schemes having 50 *per cent* central assistance. GOI revalidated the unspent balance of Rs 2.68 crore at the end of the previous year for utilising it in 2003-04. However, Government spent Rs 1.21 crore during 2003-04 for the erstwhile three schemes and the unspent balance was again revalidated in the subsequent year by GOI.

The new scheme envisaged control of major animal diseases by providing strategic immunisation cover, strengthening of important diagnostic laboratories and biological production centres, training to veterinarians and para-veterinarians, etc. While full Central assistance was admissible for the training component, for other components the eligibility was 75 *per cent*

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* Parasite is an organism that lives the whole or part of the life of it within another organism of a different species and draws the nourishment therefrom.

@ Systematic Control of Livestock diseases of national importance, Foot and Mouth Disease and Animal Disease surveillance assistance only. The details of grant released, provision made in the State budget and expenditure therefrom were as follows:

Table 3: Grant received from GOI, budget provision and expenditure

(Rupees in crore)

Year	Grant received from GOI			Revalidated amount of previous year	Budget allocation required including State share	Budget provision	Expenditure
	100 *per cent* component	75 *per cent* component	Total				
2003-04	0.12	0.68	0.80	2.68	Nil	Nil	Nil
2004-05	Nil	Nil	Nil	2.09	2.79	2.09	2.05
2005-06	0.43	1.07	1.50	0.49	2.51	2.65	2.64
2006-07	0.12	1.85	1.97	Nil	2.59	1.96	1.24
2007-08	Nil	0.18	0.18	0.99	1.56	1.39	1.04
Total	**0.67**	**3.78**	**4.45**		**9.45**	**8.09**	**6.97**

It was observed that

- Though GOI released Rs.0.80 crore in May 2003, the new scheme ASCAD was not implemented during 2003-04 due to non-issuance of administrative sanction by State Government as the erstwhile three schemes were being implemented during the year.

Rupees 6.97 crore was sanctioned by GOI of which Rs 3.58 crore were utilised and balance was credited to State's revenue

- Out of the total expenditure of Rs 6.97 crore, Rs 2.38 crore was spent on the scheme and Rs 4.59 crore was drawn and deposited in Treasury Savings Bank account in March 2005 and March 2006 to avoid lapse of funds. Only Rs 1.20 crore was spent from it subsequently for the scheme and the balance of Rs 3.39 crore was credited to State's revenue in November 2006 though GOI instructions required refund of unutilised assistance. Thus the total expenditure actually incurred on the scheme was only Rs 3.58 crore.
- Major components like Modernisation of Veterinary Biological Institute and Strengthening of Disease Diagnostic Laboratories were not implemented.

Thus the State failed to utilise the available Central funds to set up an effective mechanism for control of diseases and appropriated a large portion of the funds to State revenue.

3.5.4.2 Cattle Insurance scheme

GOI introduced (March 2006) a Livestock Insurance Scheme (named as *Gosureksha* in the State) for implementation in 100 selected districts in the country covering all the high yielding[£] cattle and buffalo for maximum of the current market value. The market value of each cattle was assessed as Rs 15,000. As per GOI orders 50 *per cent* of the insurance premium[*], the cost of examination (at Rs 100 per animal) and cost of ear tagging (at Rs 50 per animal) were to be utilised from the Central fund.

In Kerala the scheme was implemented from 2006-07 in Alappuzha and Palakkad districts and the Kerala Livestock Development Board (KLDB) was the designated implementing agency. The animals could be insured for one year or three years. Grant released by GOI to KLDB, expenditure, physical targets and achievements were as indicated in the following table.

[£] Cattle/buffalo yielding atleast 1,500 litres of milk per lactation is considered as high yielding

[*] In 2006-07 the premium was 2 *per cent* for one year and 4.45 *per cent* for three years; in 2007-08 the corresponding figures were 1.75 *per cent* and 4.50 *per cent*

Table 4: Financial and physical targets and achievements

Year	Financial target (Rs. in crore)		Physical targets						Percentage of physical achievement
	Grant received	Expendi-ture	Target			Achievements			
			Alappuzha	Palakkad	Total	Alappuzha	Palakkad	Total	
2006-07	5.18	1.15	75,000	1,25,000	2,00,000	24,256	42,950	67,206	34
2007-08	1.00	0.96	35,000	65,000	1,00,000	5,458	9,904	15,362	15
Total	**6.18**	**2.11**	**1,10,000**	**1,90,000**	**3,00,000**	**29,714**	**52,854**	**82,568**	

Out of Rs 6.18 crore released by GOI, only Rs 2.11 crore was spent and the balance amount of Rs 4.07 crore retained by KLDB

Both financial and physical achievements were much lower than the targets prescribed. According to KLDB most of the animals in the two districts were insured for three years during 2006-07 under three-year policy, further the number of animals to be insured during 2007-08 declined. However, the target was assessed by KLDB based on the population in the productive age group of two to ten years and achievement in insuring animals in the first year itself was only 34 *per cent* of the target fixed which indicated that the target fixed in 2007-08 was unrealistic. Since the grant was released based on the targets fixed, there was under-utilisation of grant released and Rs 4.07 crore remained unspent with KLDB in their bank account.

3.5.5 Livestock Development

The cross breeding programme for the genetic improvement of non-descript cattle of the State was started as early as in 1951. As a result of this, the cattle population (including buffalos) increased steadily and stood at 37.53 lakh as per 1987 census. But in subsequent census conducted in 1996, 2000 and 2003, the cattle population declined significantly to 35.34 lakh, 26.02 lakh and 21.87 lakh respectively. The factors for the decline were high cost of feed, decrease in area of fodder cultivation, less profitability of livestock rearing, change in attitude of younger generation, etc. Government approved (July 1998) a new Breeding Policy aimed to increase productivity through Artificial Insemination (AI). But the relevant Rules/Acts were not enacted to ensure effective implementation of the scheme. When the new breeding policy (1998) was framed, the number of AI centres was 2,314 which rose to 2,997 in 2008.

Per capita availability of milk decreased from 207 gm in 1998-99 to 171 gm in 2006

The cross breeding programme was aimed to increase the milk productivity of crossbred cattle from 6.23 kg in 1998-99 to 7.51 kg in 2006-07. However, the population of crossbred cattle/buffalo decreased from 15.39 lakh (1996 census) to 10.67 lakh (2003 census) and the total quantity of milk produced declined from 24.20 lakh litres in 1998-99 to 21.18 lakh litres in 2006. As a result, the per capita availability of milk decreased from 207 gm in 1998-99 to 171 gm in 2006 compared to the national average of 241 gm. A new Breeding Policy was approved by Government in June 2008 for the enhancement of productivity among the dairy animals.

3.5.6 Fodder Development programme

With shift in cropping pattern of Kerala the area under rice cultivation came down by 50 *per cent* over the last two decades leading to reduction in the availability of straw for feeding cattle. The State produced only 60 *per cent* of the roughage requirement for cattle and one of the main reasons for decrease in milk production was the shortage of quality fodder. Dairy Development Department was entrusted with fodder development programme. Despite increase in area used for fodder cultivation/production from 7,413 hectares in

2003-04 to 10,637 hectares in 2007-08 decrease in fodder production was noticed from 61 *per cent* in 2003-04 to 55 *per cent* in 2007-08.

Cattle feed concentrate was intended to supplement the shortage of fodder. However, the production of cattle feed concentrate was not sufficient to meet the requirement. According to the Dairy Development Department the non-availability of sufficient land for fodder cultivation and sufficient funds were the main reasons for decrease in fodder production during the years.

The above points were referred to Government in August 2008; reply has not been received (October 2008).