

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 General

Autonomous bodies and authorities are generally set up to operate non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the Kerala Co-operative Societies Act, 1969, Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, Companies Act, 1956, etc., to implement various Government programmes. The grants were intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies. Under the existing system, salary of the teaching and non-teaching staff of a large number of private educational institutions in the State was also directly paid by Government.

During 2000-01, financial assistance of Rs 3261.55 crore was paid to various autonomous bodies and others broadly grouped as under:

(Rupees in crore)

Sl. No.	Name of institutions/groups	Assistance paid		
		Grant	Loan	Total
1	Educational institutions (Aided schools, Private colleges, Universities, etc.)	1606.77	13.00	1619.77
2	Panchayat raj institutions	948.74	-	948.74
3	Municipalities, Corporations, etc.	136.56	10.26	146.82
4	Development agencies	26.83	17.13	43.96
5	Hospitals, Charitable institutions, etc.	19.17	Nil	19.17
6	Other institutions	331.88	151.21	483.09
	Total	3069.95	191.60	3261.55

7.2 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlements) within one year from the date of sanction of assistance unless specified otherwise.

As of June 2001, 167 certificates for Rs 95.14 crore paid as grants up to 31 March 2000 had not been received in the Office of the Accountant General (Accounts and Entitlements). Department-wise break-up of outstanding utilisation certificates was as under:

Sl. No.	Name of Department	Year	Certificates due	
			Number	Amount (Rupees in lakh)
1	Cultural Affairs Department	1994-95	1	20.00
		1995-96	1	7.00
		1998-99	14	274.47
		1999-00	7	165.25
2	General Education Department	1997-98	4	21.50
		1998-99	4	515.00
		1999-00	3	25.00
3	Health and Family Welfare Department	1989-90	1	12.00
		1994-95	1	72.25
4	Higher Education Department	1986-87	2	2.50
		1989-90	1	5.00
		1992-93	4	342.27
		1993-94	8	588.94
		1994-95	8	657.43
		1995-96	22	1970.23
		1996-97	15	1439.71
		1997-98	23	2261.11
		1998-99	5	596.08
		1999-00	7	89.50
5	Science, Technology and Environment Department	1989-90	1	5.00
		1991-92	11	93.77
		1994-95	1	2.50
		1995-96	2	8.00
		1998-99	16	322.64
		1999-00	3	8.22
6	Law Department	1999-00	1	7.00
7	Rural Development Department	1999-00	1	2.00
Total			167	9514.37

7.3 Delay in furnishing copies of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was granted and the total expenditure of the institutions. Information for the year 2000-01 called for in April 2001 was awaited as of October 2001 from 11 departments of Government and 22 Heads of Department. The following departments did not furnish information for the period indicated against each.

Sl. No.	Name of department	Year for which information had not been furnished
1.	Science, Technology and Environment Department	1996-97, 1997-98, 1999-2000 and 2000-01
2.	Finance Department	1997-98, 1999-2000 and 2000-01
3.	General Education Department	1997-98 to 2000-01
4.	Labour and Rehabilitation Department	1997-98, 1999-2000 and 2000-01
5.	Agriculture Department	1998-99 to 2000-01
6.	Animal Husbandry Department	1999-2000 and 2000-01
7.	Social Welfare Department	1999-2000 and 2000-01
8.	Co-operation Department	2000-01
9.	Health and Family Welfare Department	2000-01
10.	Public Works Department	2000-01
11.	Rural Development Department	2000-01

7.4 Audit arrangement

(i) The audit of accounts of the following bodies had been entrusted to the Comptroller and Auditor General of India for the periods mentioned against each:

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1	Command Area Development Authority	up to 2004-05	3 August 2000
2	Kerala Institute of Labour and Employment	up to 2001-02	7 November 1997
3	Kerala Khadi and Village Industries Board	up to 2002-03	20 January 1999
4	Kerala State Commission for Backward classes	up to 2001-02	16 February 1998
5	Kerala Water Authority	up to 2003-04	10 February 1999

Audit of two other institutions viz. Kerala State Human Rights Commission and Kerala Building and Other Construction Workers' Welfare Board was also conducted by CAG as provided for in the relevant Acts.

(ii) The status of submission of accounts by bodies/authorities as on June 2001 is given below:

Sl. No.	Name of body	Year up to which accounts were due	Year up to which accounts were submitted	Year up to which Audit Reports were issued	Reasons for non-finalisation of Audit Report
1	Command Area Development Authority	2000-01	1999-2000	1997-98	Accounts for 2000-01 not received.
2	Kerala Institute of Labour and Employment	2000-01	1999-2000	1999-2000	Accounts for 2000-01 not received.
3	Kerala Khadi and Village Industries Board	2000-01	1998-99	1998-99	Accounts for 1999-2000 and 2000-01 not received.
4	Kerala State Commission for Backward classes	2000-01	1998-99	1997-98	Accounts for 1999-2000 and 2000-01 not received.
5	Kerala Water Authority	2000-01	1999-2000	1998-99	Accounts for 2000-01 not received.
6	Kerala State Human Rights Commission	2000-01	1999-2000	-	Accounts for 2000-01 not received.
7	Kerala Building and Other Construction Workers' Welfare Board	2000-01	1999-2000	-	Accounts for 2000-01 not received.

(iii) The primary audit of local bodies (Panchayat raj institutions, Municipalities, etc.), educational/co-operative institutions and others is conducted by the authorities mentioned below:

Sl. No.	Name of institution	Authority conducting primary audit
1	Panchayat raj institutions and Municipalities	Director of Local Fund Audit
2	Educational institutions:	
	(a)Universities	Director of Local Fund Audit
	(b)Other than Universities	Head of the department under which the institution is functioning
3	Co-operative institutions	Registrar of Co-operative Societies
4	Others	Chartered Accountants

Against 2948 grantee institutions which attracted audit, audit of 385 institutions was taken up during 2000-01.

FISHERIES AND PORTS DEPARTMENT

7.5 Working of Kerala State Co-operative Federation for Fisheries Development Limited

Overall assessment

Matsyafed was formed in 1984 for all-round development of fisheries sector to provide overall economic well being of the fishermen community. Implementation of various schemes sponsored/assisted by both the Central and State Governments was tardy. The assistance received from State Government/Government of India/NCDC were unutilised and misutilised and large sums were diverted for unintended purposes. Larger amounts were lodged in treasury without proper utilisation (Rs 5.47 crore). Centrally sponsored schemes for setting up of a cold chain and introduction of new generation crafts and NCDC scheme for setting up of fish marketing centres were not implemented. Under the subsidised housing scheme financed by HUDCO, only 3400 houses were constructed as of March 2001 against the target of 10000 houses in five years from 1993-94. Performance of four prawn hatcheries was very poor due to under utilisation of capacity. Out-board engines (666 numbers) costing Rs 3.40 crore imported in 1998-2000 were idling as of March 2001. Insurance business transacted during 1996-2000 resulted in loss or non-recovery of dues from beneficiaries (Rs 48.45 lakh).

7.5.1 Introduction

Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) was registered in March 1984 as an apex federation of the primary level welfare societies for implementation of various schemes for promoting the processing and marketing of fish and fishery products to foster overall development of fishermen community. Some aspects of the functioning of Matsyafed during 1994 to 2001 was reviewed during February – March 2001.

7.5.2 *Poor implementation of Central schemes*

i) *Diversion of funds*

a) A Centrally sponsored scheme for establishment of cold chain projects with 50 per cent Central assistance envisaged development of infrastructure facilities such as, insulated ice tanks, pre-fabricated cold storage units etc. for storage of fish in selected fishing villages, fish landing centres and retail/wholesale markets. The objective of the scheme was to ensure the economic development of the poor fishermen through increase in fish production and avoidance of the sale of fish at the pre-determined rate by middlemen. Out of the total grant of Rs 4.82 crore received by Matsyafed from State Government under the scheme during 1992-98, Rs 3.16 crore (66 per cent) was irregularly diverted for repair/maintenance of its Ice and Freezing Plant at Kochi and for expansion of its infrastructure facilities. Such diversion of assistance defeated the objectives of the original scheme. Even balance of Rs 1.66 crore was also retained by Matsyafed as of March 2001.

b) The National Co-operative Development Corporation (NCDC) gave (March 1998) assistance of Rs 19.80 crore to Matsyafed to implement the Integrated Fisheries Development Programme 1998 which included a component 'Training, Extension and Consultancy' at a cost of Rs 1.10 crore. During 1998-2000, Matsyafed utilised only Rs 58.17 lakh on the component while Rs 52.08 lakh remained unutilised as of March 2001. Scrutiny revealed that Rs 51.60 lakh was misutilised on unapproved items viz. purchase of computers and vehicles and for meeting day-to-day expenses. Thus, the objective of training the co-operative personnel and fishermen was not achieved at all.

ii) *Introduction of new type of craft*

Government of India sanctioned (February 1992) a scheme for development of small scale marine fisheries through introduction of Plywood Beach Craft on a pilot basis in Kerala. The scheme was renewed by the Government of India in May 1993. State Government released its share of subsidy of Rs 36 lakh (1993-94: Rs 20 lakh and 1994-95: Rs 16 lakh). As of March 2001, Matsyafed utilised Rs 9.27 lakh for giving subsidy to fishermen and retained the unutilised amount of Rs 26.73 lakh for the last 5 years. However, it furnished utilisation certificate for Rs 6.18 lakh only. Matsyafed stated (February 2000) that there was little acceptability for the new type of crafts among fishermen and that being a bank-loan-linked scheme, it was not practicable to chalk out any time bound action plan for the utilisation of the unspent amount. The amount is, thus, required to be refunded to GOI.

Plywood beach craft scheme was unpopular; Rs 26.73 lakh remained unspent for five years

7.5.3 *Assistance for NCDC projects not utilised*

i) *Integrated Fisheries Development Project*

Matsyafed received Rs 41.64 crore during 1991-97 for implementing NCDC assisted Integrated Fisheries Development Project Phase III sanctioned in 1991-92 with an outlay of Rs 35.53 crore and the sub project for Rs 6.75 crore

Avoidable interest liability of Rs 1.48 crore

sanctioned in September 1996. Though the project was completed by the extended period of March 1998, benefiting nearly 21 thousand fishermen, the outlay of Rs.3.45 crore for providing marketing infrastructure had not been utilised (March 2001). Matsyafed proposed to Government to adjust the unspent balance against future release of funds. The failure to refund the unutilized balance during the last five years cast an unnecessary interest burden of Rs 1.48 crore on Matsyafed.

ii) Fish Marketing Centres

Rs 2.46 crore meant for Fish Marketing Centres was not utilised

NCDC approved setting up of Fish Marketing Centres by Matsyafed at a cost of Rs 3.39 crore including beneficiary contribution of Rs 26.70 lakh. Government released Rs 3.12 crore in March 1999 (Loan: Rs 1.69 crore and subsidy: Rs 1.43 crore), of which Rs.2.08 crore (Loan: Rs 1.13 crore, Subsidy: Rs 0.95 crore) remained unutilised as of October 2001. The interest liability to be borne by Matsyafed on the unutilised amount would be Rs 55.82 lakh at the end of October 2001. Though Government stated (March 2001) that the scheme would be completed by March 2001, it remained incomplete as of October 2001.

7.5.4 Poor performance of prawn hatcheries

i) Poor working results

Production by the prawn hatcheries was very low

Matsyafed was running four prawn hatcheries at Thirumullavaram (Kollam District), Velliyamcode (Malappuram District), Mopla Bay (Kannur District) and Kaippamangalam (Thrissur District). Against the installed capacity for production of prawn fingerlings ranging from 3 to 4 crore, the average annual production during 1995-2000 ranged between 0.59 lakh (Kaippamangalam) and 32.85 lakh (Mopla Bay). The total income earned was only Rs 1.06 crore against the expenditure of Rs 1.69 crore resulting in loss of Rs 63 lakh. The shortfall in production was attributed to poor facilities and lack of water purification system in three hatcheries and prevalence of viral disease. Steps taken by the management to improve the working of the hatcheries have not been intimated (March 2001).

ii) Irregular payments to contractor

Payment of advance of Rs 32.22 lakh to a contractor without executing agreement

Matsyafed decided (August 1994) to improve the hatchery facilities at Mopla Bay, Kannur at Rs 15 lakh. Neither detailed estimates were prepared nor tenders invited before the execution of the work. The work was got irregularly executed by a contractor who was selected on the suggestion of the consultants. He was paid advances of Rs 32.22 lakh between January 1995 and October 1995 without any agreement or sufficient security. Though the work was completed in October 1995, a further advance of Rs 4 lakh was paid in September 1998 on the ground that 'verification of the bills would take some time'. The advances remained unadjusted as of October 2001.

iii) Avoidable expenditure towards royalty

Avoidable payment of royalty amounting to Rs 10.74 lakh

For achieving improved production by the Prawn Hatchery at Mopla Bay, the terms offered by the technical consultants (UNITEC, Kochi) (July 1994) was payment of royalty by Matsyafed at 20 paise for every fish seed sold in the

first two cycles. However, in the work order issued in September 1994, the terms and conditions were changed to read as 20 paise per seed ‘produced or sold’ in the first two cycles. Government stated that the terms and conditions stipulating royalty were altered due to insistence of the consultants during subsequent discussion. This is not tenable as the alteration resulted in huge loss without any valid reason. The matter calls for investigation. Though 58.18 lakh seeds were produced during the first cycle (August to December 1995) only 4.50 lakh seeds (8 per cent) were sold due to lack of adequate publicity and field level extension among the farmers about the availability of the seed. Consequently, Matsyafed unnecessarily paid Rs 10.74 lakh as royalty for 53.68 lakh unsold seeds. No action had been taken against the officials responsible for the loss as of March 2001.

7.5.5 Excess release of housing subsidy

Only 3400 houses constructed against the target of 10,000 houses

Retention of Rs 89 lakh meant for housing subsidy

Under the HUDCO aided subsidised housing scheme, construction of 10,000 houses for fishermen was entrusted with Matsyafed. Matsyafed took up construction of 1400 houses during 1993-94 and 2000 houses during 1995-96. Government released Rs 1.40 crore during 1993-94 to 1996-97 towards subsidy for the scheme. Though the scheme envisaged construction of 10,000 houses over a period of five years from 1993-94, only 3400 houses had been constructed as of March 2001. Matsyafed released Rs 51 lakh towards subsidy for 3400 houses and retained the balance amount of Rs 89 lakh with them. Matsyafed attributed (March 2000) the shortfall to the low unit cost and less subsidy component. Although implementation of the scheme through Matsyafed was discontinued after 1997, the unspent subsidy amount of Rs 89 lakh had not been refunded to State Government as of March 2001.

7.5.6 Import of defective engines

666 imported engines remained idle for more than a year

Based on Memorandum of Understanding (MoU) entered into in September 1996 with foreign suppliers and renewed each year, Matsyafed imported 1040 new model outboard engines each costing Rs 0.51 lakh during 1998-99 and 650 engines during 1999-2000. It was noticed that there were widespread complaints from fishermen and the demand for the engines was lukewarm. Out of 1040 engines imported during 1998-99, 676 engines and all the 650 engines imported during 1999-2000 were held in stock as of March 2000 without any issue to fishermen. The foreign suppliers rectified the defects in the engines only in February-March 2000 and by March 2001, the closing stock came down to 666 engines (out of 1326). The loss of interest at 15 per cent (the rate of interest payable by Matsyafed on Government loans) on the blocked capital (Rs 3.40 crore) amounted to Rs 50.30 lakh.

7.5.7 Defective implementation of insurance schemes

(i) Avoidable loss

Matsyafed brought all its members under the personal accident insurance scheme for fishermen with National Insurance Company during 1995-96.

Unnecessary payment of Insurance premia Instead of remitting the premium on the basis of actual number of fishermen members of the societies, Matsyafed remitted advance premium based on estimated number of fishermen ranging from 1.5 lakh in 1996-97 to 2 lakh in 1999-2000 reckoned in rounded off figures.

Premia of Rs 22.54 lakh due from fishermen not collected As against Rs 69.42 lakh remitted in advance during the period 1996-2000, the premia actually collected subsequently from fishermen were only Rs 46.88 lakh. Remitting the premium on assessed number of beneficiaries and non collection of the premium from the beneficiaries resulted in an avoidable loss of Rs 22.54 lakh.

Government stated (March 2001) that the matter would be referred to the Board of Directors.

ii) Avoidable financial liability

Insurance premium of Rs 25.91 lakh not recovered from beneficiaries Matsyafed decided in February 1999 to insure the fishing inputs of the fishermen assisted under the Integrated Fisheries Development Project, 1998 with National Insurance Company. The insurance premium was 5.25 per cent of the amount of loan availed. Though Matsyafed remitted Rs 71.64 lakh towards premia during March 1999 to January 2000, Rs 45.73 lakh only was recovered from the beneficiaries leaving Rs 25.91 lakh unrecovered as of October 2000. Government stated (March 2001) that action was being taken to recover the dues from the beneficiaries.

7.5.8 Supply of fish through a franchisee

Dues of Rs 7.92 lakh pending recovery from a franchisee Ice and Freezing Plant, Kochi supplied fish to an individual franchisee at Thiruvananthapuram free of transportation expenses and with 10 per cent discount. On receipt of value of fish from various Government departments, 10 per cent commission was paid to the franchisee. The agreement executed in July 2000 did not provide for any security deposit by the franchisee. As of October 2001, Rs 7.92 lakh apart from rent for the walk-in-freezer was pending realisation from him.

The above points were referred to Government in July 2001; no reply has been received (October 2001).

HEALTH AND FAMILY WELFARE DEPARTMENT

7.6 Pariyaram Institute of Medical Sciences and Advanced Studies in Tuberculosis and Chest diseases

Over-all assessment The Pariyaram Institute of Medical Sciences and Advanced Studies in Tuberculosis and Chest diseases (Institute) was started with the main objective of establishing a medical college and super speciality hospital in the northern most part of Kerala. Though the work for the Institute commenced in 1994, it has not been fully commissioned as of October 2001. Outstanding liabilities of the Institute aggregated to Rs 148.01 crore (March 2001) due to gross financial

mismanagement and indiscipline. The objective of the medical college to act as a self-financing and self-reliant institution had been totally defeated with the taking over of the management by the Government. Due to failure to equip the buildings properly and provide basic amenities, it could not obtain permanent statutory recognition from the Medical Council of India for its medical course even after six years of its inception. As of March 2001, Rs 101.41 crore was spent, but the buildings could not be put to intended use effectively. Besides, instances of inadmissible/irregular expenditure, extra expenditure, over payments, undue benefits to the contractor, etc., involving Rs 20.69 crore were noticed in audit.

7.6.1 Introduction

Kerala State Co-operative Hospital Complex and Centre for Advanced Medical Services Limited (KCHC) and Academy of Medical Sciences (ACME) were registered in 1993 under the Kerala Co-operative Societies Act 1969 and Societies Registration Act 1860 respectively for setting up a medical college and hospital at Pariyaram in Kannur District. The medical college and hospital became operational in 1995. The college offered MBBS course with an intake capacity of 100 students from 1995. Government took over the management of the medical college and the hospital in February 1997 on the grounds of financial indiscipline and later in December 2000 promulgated an Ordinance through which both the institutions were vested with Government. Working of the Institute for the period from 1993-94 to 2001-01 was reviewed during February-May 2001.

7.6.2 Financial position

Assets and liabilities not fixed as of May 2001

a) Though the Ordinance envisaged that all assets and liabilities were to be owned by the Government, no step was taken to determine the assets and liabilities of the Institute as of May 2001.

b) Total receipts* and payments during 1993-94 to 1999-2000 were Rs 138.08 crore and Rs 134.66 crore respectively, details are given in Appendix XXIX. During 1997-2000, there was wide gap between receipts and expenditure. While income of the Institute from its own source was only Rs 2.52 crore, revenue expenditure on an average was Rs 8.70 crore.

Receipts decreased by Rs 19.27 crore due to conversion of payment seats into merit seats.

c) The rates of fees relating to merit, payment and NRI quota for MBBS course of the Institute were higher than those prevalent in Government medical colleges. Government, on taking over the management in February 1997, converted all the seats into merit seats and fixed the fees at par with that of Government medical colleges. As a result, receipts for the period 1997-2001 was reduced by Rs 19.27 crore.

* The main source of receipts of the Institute was grants from Government, loans from various agencies, hospital receipts, etc.

Huge liability towards deposits mobilised from other co-operative institutions

d) The Institute borrowed funds during September 1995 to March 2001 from the following sources for infrastructure development. As there was neither any surplus revenue nor any other resource, Institute could not meet the repayment obligations. The total liability as of March 2001 amounted to Rs 148.01 crore. The details are given in the table.

(Rs in crore)

Sources of borrowings	Period	Amount	Cost of borrowing	Repayment schedule	Outstanding amount		
					Principal	Interest	Total
State Government	1997-98 to 2000-2001	56.00	11%	(Not specified)	56.00	10.67	66.67
HUDCO	January 1998 to May 1999	46.50	16.5%	In quarterly instalments from December 1999.	46.50	16.99	63.49
52 Co-operative Societies	September 1995 to March 1997	10.64	Increased from 13% to 15% from July 1996	Term loan-repayable in lump	10.64	7.21	17.85
Total		113.14			113.14	34.87	148.01

Settlement of Government loan of Rs 56 crore yet to be finalised

The hike in interest rate by 2 per cent on loans raised from co-operative societies caused an additional interest liability of Rs 93.16 lakh. Though quarterly repayments to HUDCO were to commence from December 1999, the Institute had not repaid any instalment towards principal and as of March 2001, arrears went up to Rs 26.35 crore (Principal Rs 9.36 crore, interest Rs 16.99 crore). Thus, upon taking over of the Institution, Government has acquired a huge loan liability without any asset to back it up.

e) According to Government orders, the employees of the Institute were entitled to House Rent Allowance (HRA) as applicable to State Government employees for unclassified places. However, 218 academic staff members were allowed HRA at rates applicable to Central Government employees in municipal areas. The total excess payment made during 1995-2001 worked out to Rs 51.84 lakh.

The Director stated (November 2001) that higher rate was granted to attract qualified faculty.

7.6.3 Lack of recognition from Medical Council of India

Formal recognition not obtained even after six years of commencement of the institution

First batch of students was admitted to MBBS course during 1995-96 as permitted by Government of India. The permission was accorded initially for one year which was renewable on yearly basis subject to achievement of annual targets. Such permission to admit students to the course was granted every year up to 2000-2001. First batch of students admitted during 1995-96 was undergoing house-surgency course during 2000-2001. Even after a lapse of six years, the Institute failed to secure permanent recognition to its MBBS course due to its failure to provide the required infrastructure and support facilities.

7.6.4 Infrastructure development activities

A. Medical College and hospital buildings

Civil Works relating to the Medical College (MC) and hospital complex consisting of three blocks viz., MC, hospital and consultancy wings having

more than one lakh square metres were entrusted to Larsen and Toubro Limited, Chennai (L&T) (contract amount: Rs 58.86 crore) and the site handed over to the firm in December 1994. The work was to be completed in 16 months. However, it remained incomplete (May 2001) due to non-completion of works like provision of false ceilings, cement painting, water proofing, etc (cost: Rs 2.55 crore) and electrification works (cost; Rs 2.80 crore). Rs 69.56 crore were paid to the contractor as of May 2001. The following irregularities were noticed.

i) Faulty estimates

While tendering the work, the bidders were required to quote for each and every item included in the bills of quantities (BOQ) given along with tender documents. The bid by Larsen and Toubro Limited, Chennai was considered the lowest. The quoted rates of the second lowest tenderer viz. Nagarjuna Construction Company Limited, Hyderabad was higher by Rs 93.34 lakh. However, the quantities mentioned in the BOQ of the work were wrongly estimated and L&T quoted low rates for items which were overpitched in the estimates and high rates for items which were underpitched. Due to this, the Institute incurred an expenditure of Rs 64.92 crore as of May 2001 as against Rs 64.08 crore that would have been payable had the work been awarded to the Hyderabad firm. Thus, the Institute suffered a loss of Rs 83.78 lakh due to award of work to the Chennai firm. Director contended (November 2001) that the comparison was unscientific as the rates quoted by the Chennai firm for extra items were adopted. The reply was unacceptable as rates for extra items were not quoted by bidders but determined by the Institute on the basis of derived data or PWD Schedule of Rates.

Loss of Rs 83.78 lakh due to faulty and inaccurate estimates

ii) Irregular inclusion of special conditions

L&T had withdrawn (October 1994) all special conditions before the award of work. However, the Project Manager of the Institute included all such conditions in the notice of selection of the contractor such as, reimbursement of sales tax (ST) on the works contract and furnishing of security deposit (SD) and retention money (security) in the form of bank guarantee instead of cash/demand draft. However, inclusion of conditions already withdrawn by the contractor resulted in avoidable re-imburement of sales tax of Rs 1.12 crore as of May 2001. Further, acceptance of bank guarantee towards SD (Rs 1.22 crore) and security (Rs 2.94 crore) resulted in loss of potential interest of Rs 3.13 crore for the period January 1995-March 2001. As the special conditions imposed by L&T during bidding were not reckoned at the time of evaluating the tenders, L&T's offer became lowest actually though it was the highest.

Acceptance of special conditions, once withdrawn by the bidder, led to loss of Rs 4.25 crore

Thus, by not properly assessing the value of the bid while finalising the contract unintended and gratuitous payments aggregating Rs 5.08* crore were given to the firm. The Director stated (November 2001) that in the pre-bid meeting held on 11 September 1994 it was agreed that Bank Guarantee would be accepted in lieu of cash/DD and that Sales Tax would be reimbursed on

* (Rs 83.78 lakh + Rs 111.55 lakh + Rs 312.81 lakh).

production of documentary evidence. The contention was untenable as the Institute's directive (1 October 1994) to the firm for withdrawal of the conditions and the firm's consent letter (21 October 1994) confirming the withdrawal of the conditions followed the pre-bid meeting. Possibility of malpractice in this case cannot be ruled out and the matter calls for investigation.

iii) Rates for extra items

Adoption of contractor's own rates for extra items led to overpayment of Rs 32.53 lakh

According to conditions of contract, rates for extra items (i.e., those not provided in the bills of quantities) were to be fixed based on the actual expenditure incurred on the item plus 15 *per cent* for contractor's profit (CP) and overheads. The actual expenditure was to be linked to the Kerala PWD Rate Analysis for materials and labour and the actual labour/materials recorded by the Institute. The Institute, however, adopted with some minor modification, rates offered by the contractor which were inflated due to inclusion of separate rates for plant and machinery, depreciation, curing charges, charges for consumables etc. On a test check of data sheets of 23 extra items, it was noticed that none of the rates were based on PWD schedule of rates. Further, due to errors in calculation, in two cases (viz. water proofing and fascia elements) over payment was made to the tune of Rs 32.53 lakh. The extra financial commitment due to unjustified reliance on the contractor's rates in respect of the remaining 21 items were yet to be quantified and action taken to regularise them. In the light of huge financial implication, possibility of malpractice in these cases cannot be ruled out.

Contractor's profit was derived from observed data leading to extra expenditure of Rs 26.42 lakh

Further, profit and overheads at 15 *per cent* was allowed to the contractor on these items though this was not admissible as the rates were arrived at on the basis of observed data. The extra expenditure on this account on works so far completed worked out to Rs 26.42 lakh. While stating that overpayment due to erroneous calculation for façade elements and excess payment of CP would be regularised, the Director contended (November 2001) that rates for most of the extra items were derived from observed data and that such derived rates matched with the rates as per the original agreement after giving leverage for the time elapsed. The reply did not address the specific point as to the unjustified reliance on the rates arrived at by the firm or its sub contractors.

iv) Unjustified extension of enhancement in rates to extra item

Enhancement of rates paid unnecessarily for extra items also

L & T badly delayed the execution and completed only one-fifth of the work by April 1996 i.e. the target date of completion. The contract was therefore terminated at its risk and cost in August 1996. But this decision was not implemented. In March 1997, L&T pleaded with the Director not to encash bank guarantee but to revive the contract. Government based on recommendations of a committee formed to study the proposal, decided (July 1997) not only to resurrect the terminated contract but also to pay 12.5 *per cent* escalation in rates. As termination of the original contract was due to the fault of the contractor, re-entrustment of the work to the same contractor was quite unjustified. The supplemental agreement executed in October 1997 provided for an enhancement of 12.5 *per cent* on the balance work amounting to Rs 47.11 crore. Further, as per the supplemental

agreement, the enhancement intended for the balance quantities was extended to extra items also. Out of total value of Rs 6.08 crore (upto CC 52) on extra items, Rs 45.48 lakh was towards enhancement wrongly allowed in respect of extra items. Enhancement in rates for extra items was inadmissible since their rates were arrived at on the basis of observed data. The Director stated (November 2001) that enhancement was allowed for items, rates of which were fixed based on observed data of 1995 but executed in 1997. The reply was not tenable as the enhancement in rates provided in the supplemental agreement was confined to the balance items of works as per the bills of quantities (BoQ) and not to be extended to the extra items not covered in the BoQ.

v) *Unjustified enhancement in rates on departmental materials*

Enhancement of Rs 1.01 crore wrongly given for items supplied departmentally

According to the supplemental agreement, recovery rate for cement and steel was to be determined through negotiation, though enhancement in rates was applicable only to the net value of balance work excluding cost of departmental materials. In the part bills paid, the value of work was arrived at without deducting cost of departmental materials which meant that enhancement of 12.5 per cent was given also on cement and steel supplied by the Institute. When recovery was made from the bill towards cost of cement and steel, the firm objected to the recovery of Rs 1.01 crore (equal to 12.5 per cent of value of the specified materials supplied by the Institute). Government agreed (April 2001) in principle to refund the recovered amount if the firm withdrew its claim for extended stay upto December 1999 as agreed to by the firm in December 1999. Further developments were awaited (October 2001).

The inclusion of such an unusual condition in the supplemental agreement and the omission to restrict initial enhancement in rates to the net value excluding cost of departmental materials resulted in inadmissible refund of the dues levied by the Institute. The Director contended (November 2001) that enhancement in rates was applicable as work was measured in unit item rates and that recovery rate was also increased to 12.5 per cent. However, Government have since agreed to refund the value of departmental materials recovered at enhanced rate of 12.5 per cent (Rs 1.01 crore). Thus enhancement was given on gross value of work including departmental materials in violation of the PWD system.

vi) *Avoidable excess expenditure/over payments*

In 15 cases, overpayments amounted to Rs 11.98 crore

Test check revealed 15 instances of avoidable excess expenditure of Rs 9.70 crore and over payments of Rs 2.28 crore to L & T due to failure on the part of Institute's engineering wing and the Consultant in their scrutiny of the estimates and work bills. Government has not intimated recovery of the overpayment so far. Possibility of malpractice in such enormous deviations entailing huge financial commitments cannot be ruled out. The matter calls for investigation. Major deviations and alterations noticed in six cases that cost the Institute enormously (Rs 6.17 crore) are given in the table below.

(Rs in crore)

Type of irregularity & Name of work	Brief description of irregularity	Excess expenditure involved
Excess payments due to inflated measurements – ‘Providing and fixing MS door frames’	Against the actual area for door frames measuring 1205 square metres, the area recorded by Assistant Engineer(AE) was 5718 square metres as area covered by the door shutters (4513 square metres) also included therein wrongly.	1.02
	Similarly, while recording the area for door shutters measuring 3781 square metres, area occupied by door frames (1205 square metres) was also included therein by AE thus inflating the area to 4986 square metres.	0.41
Duplication in measurements – ‘Exposed aggregate plaster’	For ‘base plaster’ applied initially as the first course over an area of 73507 square metres, separate payments were made based on the measurement recorded separately although the agreed rate (Rs 249.78 per sq. metre) for the work was inclusive of the item and covered charges for base plaster also.	0.62
Unnecessary substitution of agreed items – ‘casting and erection’ of precast façade elements.	Instead of half brick masonry costing Rs 262 per square metre, precast façade elements at the rate of Rs 746 per square metre was adopted for an area of 50555 square metres.	2.45
Avoidable adoption of costlier items for flooring	i) Marble flooring was done over an area of 16895 square metres as against the area of 4128 square metres originally envisaged. Based on the difference in rates for mosaic and marble (Rs 1157 per M ²), excess payment was Rs 1.24 crore. It included an unintended gain of Rs 73.15 lakh because of the huge difference (Rs 573 per sq. metre) in the profit margins (mosaic – Rs 206; marble – Rs 779) on rates quoted vis-à-vis PWD schedule.	1.24
	ii) ‘Kotah’ stone flooring was substituted with ceramic tiles (Cheaper by Rs 184 per square metre) at the same rate of Rs 614 per square metre applicable to kotah stones	0.43

The Director contended (November 2001) that MS door frame being a pre-fabricated standard size frame could not be measured by the concept of material used and that rate of base plaster was not included in the item exposed aggregate plaster. A plain reading of the relevant agreement specifications for these items would disprove this laboured contention. As regards post-contractual substitutions with costlier items such as pre-cast facades, marble flooring and ceramic (granamite) tiles, Director stated that those substitutions were made taking into account time constraints, structural stability and durability, architectural and aesthetic looks, superior quality, free availability of materials, etc. These reasons could not be unknown to the firm, the consultants or the engineering wing of the Institute. Hence there was no reason to ignore them at the original agreement. Resorting to substitutions with costlier and less time-consuming items after the award of the contract amounted to favouring the firm with unintended financial benefits.

More instances of over payments and excess expenditure (Rs 5.81 crore) are given in Appendix XXX.

Action taken to fix responsibility for the overpayment and other irregularities discussed above and to recover the loss from the officers responsible had not been intimated (May 2001).

vii) *Defective structural design*

The consultants (viz. Technical consultants Private Limited, Chennai) furnished only an abstract of the estimate giving the total estimated cost, instead of detailed estimate as required in the consultancy contract. The estimate given was neither based on PWD schedule of rates nor fairly accurate

Defective structural design led to cracks in roof slab

since estimates for 32 items of civil works (out of 36 items) were substantially over pitched/underpitched. Further, the consultants did not get the structural designs prepared by them pre-checked by IIT, Chennai as stipulated in the agreement. Failure to get the designs evaluated by experts proved to be costly. The roof slab of the examination hall developed (September 1998) cracks. The expert team from the Regional Engineering College, Kozhikode confirmed that the design was unsatisfactory. Rehabilitation measures estimated to cost Rs 28 lakh suggested by the expert team had not been carried out as of May 2001. The examination hall is thus not usable at present. Director informed in November 2001 that liability for the crack developed in the roof was imposed on the consultant.

viii) Defects in construction

Quality control in civil construction was deficient

Quality of concreting work executed by the contractors was not satisfactory as cracks developed (December 1995) in concrete. Structural Engineering Research Centre, Chennai carried out core test by taking concrete cores from columns at random which revealed that the compressive strength as per BIS specifications was not attained. As 83 *per cent* of the samples failed, extensive core tests by taking samples from more columns was necessary. The Chief Engineer of the Institute attributed (October 1996) bad quality concrete to use of untested materials for concrete, non-reduction of temperature while concreting, delayed laying of concrete and non-conducting obligatory cube test.

B. Other works

i) Non-completion of Water supply system

Rs 2.38 crore spent on water works were unfruitful

The water supply system (cost: Rs 3.24 crore) consisted of an intake well-cum-pumphouse, pumping main, sump and pump house, OH tank, water treatment plant and distribution lines. Though construction of intake well-cum-pumphouse and laying pumping main to OH tank and allied works estimated to cost Rs 2.07 crore was completed in December 1999 at a cost of Rs 2.38 crore, other components like sump and pump house, OH tank, water treatment plant and distribution lines (cost: Rs 1.17 crore) were not taken up/completed as of May 2001. Failure to arrange execution of the components led to unproductive expenditure of Rs 2.38 crore. Besides, delay in execution of work would lead to avoidable cost overrun and non-achievement of the objective of protected water supply to the complex.

ii) Delay in construction of sewage treatment plant

Failure to execute works on the sewerage system led to environmental degradation

The work estimated to cost Rs 1.02 crore was awarded to the lowest tenderer at 24.8 *per cent* above estimate and agreement executed in February 2000. Though the work was to be completed by February 2001, the work was not even started as of May 2001. Director stated (May 2001) that work was not rearranged due to financial stringency.

7.6.5 Hospital and clinical services

a) Low bed occupancy

The techno economic report got prepared for establishment of the medical college and hospital envisaged construction of an acute care hospital with 350 beds in the first two years (Phase I) to treat trauma, cardiac and neurological cases, a modern general hospital with 350 beds to take care of non-critical patients in the next 2 years (Phase II) and expansion by adding 300 beds during fifth and sixth years (Phase III) making it a multi-disciplinary super speciality hospital in order to enable the college to attain post graduate/doctoral status. The bed strength of the hospital was 587 during 1999 and 731 in 2000 whereas number of inpatients per day was only 214 and 244 respectively. Occupancy rate was only 36 and 33 per cent of the bed strength resulting in gross under utilisation of the bed capacity (65 per cent) and human resources (clinical and para medical staff). The number of out patients per day also was low – 420 and 506 in 1999 and 2000 respectively. The ratios of staff to out patients - one doctor for every five patients, one staff nurse for every two inpatients and five nursing assistants for every eight inpatients during the two years 1999-2000 was very much on the higher side vide details below:

Non-utilisation of vast built-up area and blocking of capital

Very low occupancy rate

Excessive staff-patient ratio

Year	Number of patients per day			Number of staff			Actual staff ratios		
	OP	IP	Total	Doctors	Nurses	NA	Doctor-patient	Nurse - IP	NA: IP
1999	420	214	634	140	92	137	1: 1.5	1: 1.2	1: 1.6
2000	560	244	804	144	130	150	1: 1.6	1: 1.9	1: 1.6

(OP – Out patient, IP – In-patient, NA – Nursing Assistant)

b) Non-commissioning/non-working of equipment

Five equipment purchased at a total cost of Rs 6.50 crore by the Institute were not commissioned/not working for reasons noted against each.

Item	Date of installation	Value (Rupees in lakh)	Reasons for non- commissioning
Cobalt Therapy unit	April 2000	163.37	For want of minor accessories costing Rs 3.57 lakh only
C.T Scanner	December 2000	198.14	For want of permanent power provision
Lifts (23 Nos.)	Only 3 lifts installed	249.00	For want of statutory sanction from Chief Electrical Inspector
Transformer (2 Nos.)	Supplied in March 2000	24.00	Non-completion of civil works of substation building
Yaglaser	May 1998	15.02	Though the equipment went out of order immediately after its installation, it was not repaired

The strength of cobalt source loaded in the unit came down to 9312 Ci as on 2 March 2001 from 11341 Ci as on 3 September 1999 resulting in loss of 2029 Ci which was 18 per cent of the total life of the cobalt source. The rapid depletion in life was attributable to the non-commissioning. The Yaglaser purchased at a higher rate on consideration of higher quality went out of order within 2 months and thus proved to be of not of good quality. As the commissioning of lifts and transformers were badly delayed, operation

theatres and other wards could not be shifted to the new building which was one of the reasons for withholding of recognition to the Medical College. Director stated (November 2001) that the cobalt unit, CT scanner and seven lifts have been commissioned and that yaglaser was purchased as recommended by its expert doctors. The fact remained that commissioning of 16 lifts and the transformers was pending and that the yaglaser had not been recommissioned as of October 2001.

The above points were referred to Government in July 2001; reply has not been received (October 2001).

INDUSTRIES/LOCAL SELF GOVERNMENT DEPARTMENTS

7.7 Avoidable excess expenditure due to over valuation of land

Overvaluation of land purchased by Technopark (56.14 acres), Changanassery Municipality (10.248 acres) and Municipal Corporation of Kochi (49.76 acres) between June 1997 and March 2001 resulted in avoidable excess expenditure of Rs 11.39 crore. The land value was fixed on the basis of sale deeds relating to either small piece of land or land not similar to the marked land. The deeds of plots recently purchased by the owners were also overlooked. In two cases, wet lands were purchased which were unsuitable.

7.7.1 Introduction

Recent sale deeds of similar lands to guide valuation of land

Normally, land required for public purpose is to be acquired under the provisions of the Land Acquisition Act as amended from time to time. In case of urgent needs, the Act provides for advance possession of land invoking emergency clause. Market value fixed for the land to be acquired is crucial for determining the compensation payable to the land owners under the Act. For fair and reasonably appropriate determination of land value, sale deeds relating to recent land transactions in the vicinity of the land to be acquired, have to be considered as guiding basic documents. The Kerala Land Acquisition Manual stipulated *inter alia* that price paid for the same land or a portion of it in recent years by owners, should be adopted as the basis for determining market value of land to be acquired. Land Acquisition (Kerala) Rules, 1960 requires that deeds of similar lands should be considered for valuation purposes. Again, transactions relating to small plots need not be taken to guide valuation of larger lands. It was noticed in audit that in the following cases there was overvaluation of land purchased due to deviations from the afore-mentioned salutary principles/instructions. Further, land purchased by two local bodies (Changanassery Municipality and Municipal Corporation of Kochi) were based on negotiated deals although according to Government orders of January 1998, such purchases should have been effected only after initiating land acquisition proceedings. In view of the huge unjustified overvaluation of land price in these cases, the possibility of malpractice cannot be ruled out and the matter calls for investigation. The details are given below:

Electronics Technology Park, Kerala (Technopark)

7.7.2 Purchase of unsuitable land at exorbitant rate

22.72 hectares of land obtained in January 1998 paying Rs 5.75 crore

The Chief Executive Officer (CEO) Electronics Technology Park, Kerala (Technopark) sought (November 1993) Government sanction to acquire 29 hectares of land in Cheruvikkal, Attipra and Kazhakuttom-Menamkulam Villages, furnishing details of survey numbers and extent of land against each survey number to be acquired. Government in Industries Department accorded sanction (December 1993) invoking urgency clause of Land Acquisition Act. Notification under section 4(1) of LA Act was published in July 1995 and draft declaration published in July 1996. CEO deposited a sum of Rs 5.75 crore between March 1996 (Rs 50 lakh) and December 1997 (Rs 525 lakh) with the Deputy Collector (Land Acquisition), Thiruvananthapuram from out of grants released by Government. The award was passed in January 1998 and 22.72 hectares of land was taken possession by Technopark in January 1998.

Recent sale deeds of plots forming part of the land notified for acquisition ignored

For valuation purpose, the land was classified into 14 categories A to N depending on its nature i.e. dry land, reclaimed land, wet land, water-logged land, etc. In order to work out the compensation, Deputy Collector (Land Acquisition) considered 33 documents registered in sub registries at Thiruvananthapuram (23 numbers), Kazhakuttom (6 numbers) and Pattom (4 numbers). Scrutiny revealed that while fixing the land cost, Deputy Collector (Land Acquisition) did not consider five* documents of Pattom Sub Registry through which 1.42 hectares of land, forming part of the acquired land ('A' category), was earlier purchased by two owners between July 1992 and October 1993 for a consideration of Rs 8.86 lakh. This portion of the land was classified as 'A' category. As such, market value of 'A' category land should have been determined on the basis of those five sale deeds. However, Deputy Collector (Land Acquisition) had chosen, as the basic document for valuation, one sale deed of 11 March 1994 of Pattom Sub Registry (one among the four deeds mentioned above) through which only 5 cents of land was transferred for a consideration of Rs 74000. Adopting this deed as the basic document, value of category 'A' land was fixed at Rs 16238 for each cent.

Sale deed of a tiny plot relied upon for valuation

The market value of Category 'B' which was similar to the land mentioned in the sale deed of 11 March 1994 was fixed at Rs 13803 for each cent by applying reduction of 15 *per cent* from the land value fixed for 'A' category as 'B' category land is low lying compared to category 'A'. Market value of other categories of land fixed on the basis of six** other documents, ranged from Rs 12642 for each cent (category 'C') to Rs 3549 for each cent (category 'N') depending on the locational differences, accessibility, etc.

* 2933/92 dated 24.7.1992, 3107/92 dated 6.8.92, 4929/92 dated 18.12.92, 499/93 dated 4.2.1993 and 4497/93 dated 28.10.93.

** 1418/93 dated 12.4.1993 and 1519/93 dated 17.4.1993 of Pattom Sub Registry.
2088/93 dated 3.6.1993 of Thiruvananthapuram Sub Registry.
1476/95 dated 28.3.1995 and 1606/95 dated 31.3.1995 of Thiruvananthapuram Sub Registry.
3363/94 dated 8.8.1994 of Thiruvananthapuram Sub Registry.

Rs 92.89 lakh paid for land purchased at a price of Rs 8.86 lakh

Based on the price paid by the land owners for category ‘A’ land and adopting the same method of valuation followed by Deputy Collector (Land Acquisition) for valuation of other categories (‘C’ to ‘N’), compensation for land acquired would work out to Rs 106.13 lakh as against Rs 5.72 crore assessed and disbursed for the same. The magnitude of the over-valuation could be gauged from the fact that the two land owners of category ‘A’ land were paid Rs 92.89 lakh as compensation for the land they had purchased 25 to 40 months back for a consideration of Rs 8.86 lakh.

Over-valuation led to excess expenditure of Rs 4.66 crore

Thus, determination of land value on the basis of a sale deed of a small piece of land ignoring the sale deed of 1.42 hectares of category ‘A’ land which was part of the land acquired, was unjustified and resulted in avoidable excess expenditure of Rs 4.66 crore.

Land transferred to another new entity

Though the land was taken possession in January 1998, it was not put to any use (October 2001). Government decided (March 2001) to lease out 15 acres (including 10 acres of dry land) to National Institute of Speech and Hearing (NISH)* for a period of 99 years. Consequently, Technopark was left with only a small portion of dry land (29 per cent of the total useable land) for its own use. Technopark stated (September 2000) that the land was acquired for creating support facilities for residential accommodation, education and other ancillary services. It is doubtful whether large tract of wet/water logged land could at all be used for this purpose. Thus, purchase of mainly water-logged and reclaimed/filled up land at exorbitant rate and investment of Rs 6.90# crore did not meet any of the objectives of Technopark.

Unfruitful investment of Rs 6.90 crore

The matter was referred to the CEO in April 2001. The matter was forwarded to the Secretary to Government, Industries Department in June 2001. Reply has not been received from them (October 2001).

Changanassery Municipality

7.7.3 Purchase of unusable land at huge price

Unsuitable land selected

Changanassery Municipality decided (January 1998) to set up a multipurpose sports complex at a cost of Rs 2 crore under the People’s Plan. In response to the offers invited through a quotation notice in March 1998, 3 sets of offers were received for 455.288 ares of land at Perunna at Rs 11737 per are. The land offered was marshy and water-logged and was thus not suitable for a sports complex. The Chairman of the Municipal Council however, recommended that the land was the most suitable for the purpose, though there was no record to suggest that suitability of the land was verified by the Municipality. The District Collector (DC), Kottayam fixed (May 1998) the land value at Rs 10,000 per are. Government accorded sanction in June 1998 for purchase of the land. The Municipality purchased (June 1998) 414.73 ares

* A society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955.

Cost of land: Rs 575 lakh; establishment charges for land acquisition: Rs 60 lakh and cost of fencing Rs 55 lakh.

(10.248 acres) of the land for Rs 47.67 lakh **. Audit scrutiny (February - March 2000) revealed the following:

Purchase finalised in undue haste

i) DC fixed the land value at Rs 10,000 per are based on the sale deed of a land on the side of the Main Central Road, registered in the Sub Registry, Changanasserry during October 1994. It was noticed in audit that the valuation for the proposed land was carried out by the concerned Village Officer, Revenue Inspector, Tahsildar and DC in a brief span of five days (between 21 May and 25 May 1998) and Government sanction for the purchase was accorded on 11 June 1998 (i.e. within eight days of receipt of the request from the Municipality). Thus the entire deal was finalised in undue haste.

Land purchased at Rs 261 per are was sold to Municipality at Rs 10,000 per are within 10 days

ii) The land purchased by the Municipality on 25 June 1998 at Rs 10,000 per are included 69 ares of land purchased from three individuals who purchased these plots on 15 June 1998 at Rs 261 per are. On an enquiry, Sub Registrar, Changanasserry stated that the aforesaid land was submersible in water and hence the land value (Rs 261 per are) as per the sale deed executed on 15 June 1998 was correct. Since the entire land measuring 414.73 ares was a continuous tract having similar features, its valuation ought to be based on recent land transaction. Based on the recent land value of Rs 261 per are, cost of the land should have been approximately Rs 1.24 lakh against which Municipality paid Rs 47.49 lakh.

Non-usable tract of land without road access purchased

iii) The land purchased in June 1998 could not be utilised due to its water-logged condition and non-availability of any road access. In January 2001, the Municipality decided to purchase land to construct a road and three land owners offered 4.08 ares of land which was also wet and marshy. Due to selection of an inaccessible and unsuitable stretch of land, the objective of constructing a sports complex could not be achieved (May 2001).

Sale deed of tiny piece of land sold 4 years ago should not have been adopted

Government justified (August 2001) the land value fixed by DC on the ground that the purchase of marshy area and its subsequent development would be at a lesser cost. The reply is not tenable as the land value adopted (Rs 10000 per are) was based on a sale deed of a tiny piece of land, which was sold 4 years back whereas the land value as per the sale deed of land measuring 69 ares purchased by one of the vendors only 10 days prior to its sale to the Municipality was only Rs 261 per are. Thus the land value as decided by DC was highly inflated and led to excess valuation of Rs 41.65 lakh. Possibility of malpractice in this case cannot be ruled out and the matter calls for investigation.

Excess value paid was Rs 41.65 lakh

Municipal Corporation of Kochi

7.7.4 Exorbitant price paid for lands purchased from real estate agents

RDO fixed a higher land value overlooking Tahsildar's recommendation

a) Municipal Corporation of Kochi (MCK) decided in February 1997 to purchase, nearly 40 acres of land in Puthencruz Village from two real estate agents to set up a garbage disposal plant. The Tahsildar, Kunnathunadu

** Price of land: Rs 41.47 lakh, Stamp duty and registration fee: 6.02 lakh and Writer's fee: Rs 0.18 lakh

Rs 2.94 crore paid to two real estate agents	<p>recommended a land value of Rs 4300 per are (Rs 1742 for each cent) on the basis of sale deeds* through which the land owners had purchased the land in April 1996. However, Revenue Divisional Officer (RDO), Muvattupuzha recommended a higher land value of Rs 7500 for each cent. MCK purchased 37.33** acres of land during June 1997 to April 1998 and paid Rs 2.94 crore to the two agents. The acquired site has not been put to use as of April 2001.</p>
Excess expenditure was Rs 2.57 crore	<p>Scrutiny revealed that out of six documents from the Sub Registry, Puthencruz selected as basic documents for valuation by RDO, four documents represented small house plots which were not accepted for valuation by the Tahsildar for specific reasons. The fifth document was a sale deed in respect of a land in another village, viz. Poothrika Village and the sixth document was a mortgage deed executed between a loanee and the Kerala State Housing Board under Maithri Housing Scheme. These lands were also not similar to the lands identified for purchase. On the other hand, the sale deeds considered by the Tahsildar for valuation pertained to lands forming part of the land proposed to be bought and dealt with transactions held within three years, i.e., in 1996. Further, reliance on sale deed of small plots as guide for valuation of large tracts of land was unjustified. Based on the land value of Rs 4300 per are recommended by the Tahsildar, excess expenditure incurred by MCK worked out to Rs 2.57[§] crore.</p>
Assistant Collector considered smaller plots for valuation purpose	<p>b) MCK decided to acquire 269.74 cents of land at Edappally through negotiation for construction of the Edappally Zonal Office-Cum-Shopping Complex. The lone offer for sale received was at the rate of Rs 1.75 lakh for each cent. The Assistant Collector (AC), Fort Kochi fixed (November 1997) the price of land at Rs 1.59 lakh for each cent. MCK purchased 161.423 cents of land between November 1999 and April 2000 at Rs 2.96 crore. While the proposal was for acquisition of a large plot of 269.74 cents, three sale deeds relied upon by AC for fixing the land value related to small plots measuring 7.017 cents, 2.925 cents and 4.775 cents respectively.</p>
Excess value paid was Rs 1.38 crore	<p>The land value of Rs 84,859 for each cent fixed by the District Collector, Ernakulam in April 1998 for a nearby dry land with pipe-line access and road frontage was not considered by AC while fixing the price at Rs 1.59 lakh for each cent. The excess payment amounted to Rs 1.38 crore.</p>
Even though the land deal was put on hold MCK went ahead improving the land	<p>c) In March 1997, one real estate agent offered to sell 14.470 acres of wet land for the proposed garbage yard at Cheranalloor. Revenue Divisional Officer (RDO), Fort Kochi fixed (July 1997) the land value at Rs 30,000 for each cent and issued a land value certificate. Consequent on a complaint to Government (in January 1998) regarding the fixation of land value, the land deal was kept in abeyance. However, MCK started dumping waste at the site from April 1997 onwards and formed a road at Rs 8.20 lakh. MCK also spent Rs 2.10 crore for covering the dumped wastes with earth and gravel thereby converting an extent of 8.36 acres of wet land into dry land. DC fixed the</p>

* Sale deed nos. 2189/96, 2192/96, 2168/96, 2190/96 and 2191/96.

** In survey nos. 9,11,13,14,15,16,17 and 19 of Puthencruz Village in Kunnathunadu Taluk, Ernakulam District.

[§] Inclusive of land value, stamp duty and registration fee.

value at Rs 23,000 for each cent for Category I property comprising 8.36 acres of land with road access (which was improved by MCK at its own cost) and Rs 20,000 for each cent for Category II property (2.46 acres of land) having no road access.

MCK developed the road for accessing the property by the seller

MCK decided to purchase the land measuring 10.82 acres before March 2001 (in three stages) and paid Rs 25 lakh as advance. According to the purchase agreement, MCK was to provide an accessible road of 8 metres width starting from the public road for providing access by the vendor to his remaining properties. Developing road access to the plot at the expense of MCK led to appreciation in the value of the remaining portion of land (3.05 acres) for which DC did not fix any land value. Government approved (July 2000) purchase of the lands at the value fixed by DC and granted exemption from land acquisition proceedings.

Valuation based on sale deed of small plot

For fixing the land value at Rs 23000 per cent for Category I property, RDO relied on a document of May 1997 comprising 4.506 cents of land purchased for a total consideration of Rs 85,000, the value per cent being Rs 18,864. RDO adopted as basic document the deed of a small developed house plot though land value of small plots could not be comparable to large tracts of land. As per the sale deed registered in November 1997 for 21.50 cents purchased for Rs 32250 by the agent, the land value was Rs 1500 for each cent. Based on this, the excess valuation of the land amounted to Rs 2.36 crore. Further major portion of the land became dry land only because MCK dumped waste in the land and covered it with earth and gravel at a cost of Rs 2.10 crore and built a road to the site spending Rs 8.20 lakh. Thus, the investments (Rs 2.18 crore) made by MCK on the land ultimately went against its financial interest as it had to pay higher land value while purchasing the land.

Hasty development of the property led to higher land value

The above points were referred to the Secretary, Municipal Corporation of Kochi in April 2001 and to Government in July 2001. Reply has not been received from them (October 2001).

HIGHER EDUCATION DEPARTMENT

7.8 University of Calicut

Avoidable expenditure on surplus staff

Calicut University did not transfer 100 posts to Kannur University and did not redeploy 21 surplus posts; avoidable extra expenditure was Rs 2.5 crore during November 1998 to March 2001.

On formation of the Kannur University in November 1995, 25 affiliated colleges (formerly under the University of Calicut) were transferred to it. Government directed (February 1997) the University of Calicut to determine and transfer surplus staff, consequent on the transfer of the jurisdiction of

these colleges to the newly formed University. Accordingly, 181 posts were identified (July 1997) as surplus in the Calicut University. However, only 81 incumbents were transferred to Kannur University in October 1998. Thus, 100* identified surplus staff were retained in the University of Calicut.

On introduction of Plus Two courses, 15468# seats for Pre-Degree courses under the University of Calicut were scrapped during 1997-2000. As a result, 21 posts (Assistant Registrar: 1, Section Officers: 5 and Assistants: 15) became surplus in the examination wing of the University. These 21 surplus posts also were not re-deployed.

Thus, 121 surplus posts were unnecessarily retained in the University of Calicut causing avoidable expenditure of Rs 2.50 crore[§] towards their salary from November 1998 to March 2001.

The matter was referred to Government in May 2001; reply has not been received (October 2001).

7.9 Excess payment of house rent allowance

Payment of HRA at inadmissible rates resulted in excess payment of Rs 2.53 crore.

The Headquarters of Calicut University is located in three Panchayats viz. Tenhipalam, Pallickal and Chelambra in Malappuram District. As per the University First Statutes 1977, its employees are governed by Kerala Service Rules (KSR) which provided that employees working in Grama Panchayats are eligible to get house rent allowance (HRA) applicable to unclassified places only. However, the University was paying HRA to the employees at rates applicable to city corporation areas.

In February 1996, Government pointed out to the University that payment of HRA at higher rates was in flagrant violation of rules. However, University authorities continued to pay HRA to their employees at higher rates. Even after receipt of Government direction in February 1996, the University did not revise the rates. Excess payment of HRA on this account during April 1995 to March 2001 aggregated to Rs 2.53 crore.

The matter was referred to Government in June 2001; reply has not been received (October 2001).

* Assistant Registrars: 2, Section Officers: 22, Assistants: 59, Typist & Stenographers: 4, Clerical Assistants and Peons: 8, Watchman: 2 and Others: 3.

(1997-98: 5468, 1998-99: 7600 and 1999-2000: 2400).

§ Computed on the basis of the minimum of the relevant pay scales.

Mahatma Gandhi University

7.10 Non acceptance of tender within validity period

Delayed processing of tenders and failure to finalise the tender within the validity period led to retender and consequent avoidable extra expenditure of Rs 33 lakh.

Mahatma Gandhi University (MGU), Kottayam decided (May 1996) to construct the Senate Hall Auditorium at an estimated cost of Rs 2.40 crore and administrative sanction for the same was accorded by the Vice Chancellor in April 1997. In response to tenders, eight pre-qualified empanelled contractors quoted (April 1997) the lowest rate being 45 *per cent* above estimates. Though Syndicate meetings were held in May and June 1997, the tenders were not put up to Syndicate by the Registrar for consideration, reasons for which were not available on records. The issue came up before the Syndicate only in September 1997. The lowest tenderer had withdrawn his offer in July 1997 on expiry of the validity period of three months. Following retender in October 1997, the work was awarded (February 1998) at 65 *per cent* above estimates to another contractor who had quoted 48 *per cent* above estimate in the first tender call.

Failure of the Engineering Wing to complete procedural formalities in time and failure of MGU to accept the lowest offer of April 1997 within the validity period, resulted in extra expenditure of Rs 33 lakh at the award stage.

The above matter was referred to Government in June 2001; reply has not been received (October 2001).

HOUSING DEPARTMENT

Kerala State Housing Board

7.11 Land acquisition unit lying idle for five years

Land acquisition unit with 75 staff for acquisition of land (1042 acres) for setting up a satellite township could acquire only 60 cents of land in five years resulting in wasteful expenditure of Rs 1.66 crore.

For setting up a satellite township near Thrippunithura by 31 December 1998 costing Rs 214.52 crore, acquisition of 1042 acres of private land was required. Government sanctioned (July 1995) creation of a land acquisition

(LA) unit on temporary basis with 75 *ad-hoc* posts for this purpose. The expenditure for the unit was to be borne by KSHB.

However, by July 1996 the LA unit could acquire only sixty cents of land. The land acquisition proceedings lapsed due to delay in passing award within two years due to protest of land owners. KSHB decided in April 2000 to wind up the project. In March 2001, Government ordered to wind up the LA unit.

Further, although no sanction was accorded by Government for continuance of LA unit beyond February 1998, the full complement of 75 LA staff was continued. As of May 2000, KSHB spent Rs 1.50 crore on these LA staff alone. The Project Division also spent in addition Rs 16 lakh up to May 2000 on establishment charges, furniture, minor works, etc.

Thus, prolonged retention of the LA unit, even though the project was abandoned, resulted in wasteful expenditure of Rs 1.66 crore.

Government stated (April 2001) that the satellite township project was abandoned due to resistance from local people, Panchayat Raj institutions, etc. on the ground of ecological reasons and that sanction for continuance of the unit up to February 1998 only was given.

7.12 Improvident utilisation of funds mobilised through annuity deposits

Under the Maithri Housing Scheme, 953 local bodies irregularly deposited Rs 150.73 crore out of Government funds to sponsor 74.3 thousand beneficiaries. KSHB utilised annuity deposits for its expenditure without provision to meet future liability for loan repayments.

Kerala State Housing Board (KSHB) implements 'Maithri Housing Scheme' launched by Government in November 1996 for providing houses to the Economically Weaker Sections (EWS). In March 1997, Government liberalised the scheme permitting philanthropic individuals and institutions to make a one-time annuity deposit (Rs 12,500) with KSHB to take care of the repayment obligations on behalf of the EWS loanee beneficiaries.

Under the People's Plan Campaign (PPC), 953 local bodies* participated in the Maithri Housing Scheme and deposited with KSHB Rs 12500 each for selected beneficiaries. During 1997-2000, KSHB received Rs 150.73 crore as one time deposit from various local bodies on behalf of 74355 beneficiaries sponsored by them. Audit scrutiny revealed the following points:

i) The scheme envisaged one-time payment of annuity deposits by individuals and philanthropic institutions. The local bodies are not philanthropic institutions and these are mostly dependent on Government

* Panchayats, Municipalities, Corporations, etc.

grants. Payment of annuity deposits by them out of Government grants was irregular.

ii) The annuity deposits were to be invested to get a return of 12.5 *per cent* so as to pay off the loan on behalf of the EWS loanees. KSHB, however, did not invest the annuity deposit amounts in any financial instrument which would fetch interest at 12.5 *per cent* to take care of the future repayment obligations of the loans (Rs 141.27 crore) availed by them from HUDCO. Instead, the funds were pooled with KSHB's general funds and utilised on other projects. Non-investment of annuity deposits would affect the financial position of KSHB which has made no provision for the repayment.

iii) Under the scheme Rs 9000 per house only was envisaged as Government share. Further payment of annuity deposits by the local bodies utilising the plan funds allocated by Government resulted in increase in Government assistance by Rs 12500 per house. This was beyond the scope of scheme approved by Government.

The matter was referred to Government in July 2001, reply has not been received (October 2001).

INDUSTRIES DEPARTMENT

Kerala State Sericulture Co-operative Federation Limited

7.13 Recurring loss in production of raw silk

SERIFED's major operation of procurement and processing of cocoons resulted in loss totalling Rs 1.06 crore.

Kerala State Sericulture Co-operative Federation Limited (SERIFED) was formed in December 1994 for developing sericulture industry in the State on a massive scale. SERIFED provided technical guidance, financial aid (subsidies) etc. to mulberry farmers and in turn, collected cocoons from them. The target during VIII Five Year Plan period (1992-97) was 50000 acres of mulberry cultivation with a budget outlay of Rs 45 crore with an ultimate aim of providing employment to 2.5 lakh people. Procurement and processing of cocoons by SERIFED ended in recurring losses totalling Rs 1.06 crore* during the last six years as indicated in the table below:

* excluding subsidy paid to farmers and establishment expenditure incurred out of Government grants.

(Rupees in lakh)

Year	Cocoon procurement cost	Reeling/weaving charges	Total	Sale proceeds of silk	Loss
1995-96	7.99	2.47	10.46	8.97	1.49
1996-97	25.78	5.35	31.13	18.03	13.10
1997-98	33.77	10.69	44.46	22.95	21.51
1998-99	29.86	9.42	39.28	18.32	20.96
1999-2000	42.33	6.16	48.49	27.16	21.33
2000-01	44.96	9.32	54.28	26.65	27.63
Total	184.69	43.41	228.10	122.08	106.02

As the table shows SERIFED was sustaining loss continuously in raw silk production and the loss was ever increasing, from Rs 1.49 lakh in 1995-96 to Rs 27.63 lakh in 2000-01. SERIFED attributed the poor production results to poor reelability of silk thread and resultant poor silk recovery.

Government stated (March 2001) that the loss was not due to any improper assessment of the quality of cocoons and incorrect price fixation but due to several extraneous factors which could be controlled in the years to come by improving the rearing practice of the farmers. Government further stated that the industry was in its infancy and that it would take some more time to attain the normal standards of Shell Ratio, good cocoon and silk recovery percentages. The reply was not tenable as SERIFED was functional in production of cocoons and silk since 1994 and therefore it could not no more be considered to be in its infancy. Further, Government has not fixed any target for production and whatever quantity of cocoons were produced and processed was procured by SERIFED.

Scrutiny further revealed that at the time of formation of SERIFED, Government sanctioned in November 1995 filling up a contingent of 458 staff without finalising staff pattern and professional qualifications. Due to irregularities in recruitment, there were number of court cases and attempt of Government to reduce the staff strength has not succeeded. As the case was under litigation, all the excess staff were continuing and SERIFED was incurring expenditure of Rs 37.44 lakh* per year on the excess staff.

Thus, the organisation created with a large number of staff has not been of any productive use while Government is saddled with a burden of large salary payments.

The matter was referred to Government in June 2001; reply has not been received (October 2001).

* Field Assistants - Rs 4000 x 40 x 12 = Rs 19.20 lakh
 Typists - Rs 3500 x 16 x 12 = Rs 6.72 lakh
 Peons - Rs 3000 x 32 x 12 = Rs 11.52 lakh

IRRIGATION (WATER SUPPLY) DEPARTMENT

KERALA WATER AUTHORITY

7.14 Accelerated Rural Water Supply Programme

Overall assessment

Accelerated Rural Water Supply Programme is a Centrally Sponsored Scheme aiming to cover all the 9776 inhabitations identified in 1992 in the State by the end of Eighth Plan. Due to underutilisation of Central assistance received during 1998-99 to 2000-01 Rs 27.89 crore was forgone. There was no improvement in the coverage of Non-covered (NC) into Partially covered (PC) and PC into Fully covered (FC) during 2000-01. As of March 2001, 838 NCs and 5939 PCs awaited upliftment into PC and FC status respectively. Hundred and twentyeight schemes sanctioned for Rs 443.45 crore were either not taken up or remained incomplete as of March 2001. Implementation of schemes to benefit SC/ST population was tardy due to non-release of assistance by Government to Kerala Water Authority, treasury restrictions and non-utilisation of funds by DCs. While execution of critical work components was either very slow or at a stand-still, huge expenditure was incurred on purchase of pipes and accessories. Implementation of schemes to control fluoride/salinity was delayed inexorably resulting in loss of Central assistance of Rs 6.57 crore. Quality assurance in water supplies and prevention/precautionary mechanism for control of water-borne diseases were deficient.

7.14.1 Introduction

Accelerated Rural Water Supply Programme (ARWSP), a cent per cent Centrally sponsored scheme introduced by GOI in 1972-73, was revamped in April 1999 to provide potable drinking water at the rate of 40* litres per capita per day (lpcd) to all rural habitations particularly in identified problem villages. It also aimed to preserve quality of water and to ensure sustainability of system and sources. By the end of Eighth Plan (1992-1997), the scheme was targeted to cover all the 9776 identified habitations with a population of 2.17 crore. Kerala Water Authority (KWA) was the implementing agency of the scheme in the State. Thirty-five per cent of the ARWSP funds was to be earmarked for schemes to benefit Scheduled Castes (25 per cent) and Scheduled Tribes (10 per cent). The schemes for the SC/ST beneficiaries were implemented by the District Collectors.

The implementation of the scheme was reviewed (February- June 2001) through test check of records for the period from 1997-98 to 2000-01 in the offices of KWA, Thiruvananthapuram and three Chief Engineers (out of seven), three PH Circle Offices (out of seven) and 10 Public Health and Water Works Division Offices (out of 32) and four District Collectors (out of 14). The results of review are discussed below.

* (3 lpcd for drinking, 5 for cooking and 32 for other uses)

7.14.2 Financial outlay and expenditure

Central assistance foregone

ARWSP is a 100 per cent Centrally sponsored programme and allocation of Central assistance is restricted to the expenditure incurred by the State under the Minimum Needs Programme (MNP). As per the guidelines, 60 per cent of available funds (unspent balance, if any, from the previous year plus funds released as first instalment in April) at the beginning of each financial year should be utilised by the end of December in order to obtain the next instalment (last and final) from the Central allotment to the State in that financial year. During 1998-2001, Central assistance of Rs 104.20 crore was received, while only Rs 76.31 crore could be spent which resulted in loss of Central assistance of Rs 27.89 crore.

Non-utilisation of funds led to loss of Central assistance of Rs 27.89 crore

7.14.3 Shortfall in providing potable water to rural population

As per the criteria fixed by GOI, habitations where no potable water was available were categorised as Non Covered (NC), where potable water was available at the rates below 40 lpcd as Partially Covered (PC) and where potable water at the rate of 40 or more lpcd was available/provided as Fully Covered (FC). With effect from 1 April 1999, habitations with less than 10 lpcd were re-categorised as NC. According to the survey conducted in 1992, out of 9776 habitations 2289 were NC habitations, 7422 were PC and 52 were FC habitations. KWA also identified 13 Not Accessible/Not Covered (NN) habitations. As of April 1997, there were 7141 PCs and 1148 NCs, coverage achieved during the four years being 4 per cent and 50 per cent respectively. An analysis of the targets and achievement in providing drinking water to the rural population showed that during 1997-2001, KWA could convert only 310 out of 1148 NCs into PCs/FCs and 1202 out of 7141 PCs into PCs/FCs vide details below:

Coverage of habitations with supply of safe water at the recommended level was very poor

Year	Target/habitations			Achievement/habitations (Percentage in bracket)		
	NC to PC/FC	PC to PC/FC	Total	NC to PC/FC	PC to PC/FC	Total
1997-98	500	1203	1703	158 (32)	372 (31)	530 (31)
1998-99	430	796	1226	110 (26)	412 (52)	522 (43)
1999-00	300	550	850	38 (13)	354 (64)	392 (46)
2000-01	101	635	736	4 (4)	64 (11)	68 (9)
Total	1331	3184	4515	310	1202	1512

Action plan (2001) chalked out by KWA disclosed that there were 842 NC and 6297 PC habitations (February 2001). The main reason for the low achievement was delay in obtaining land from Panchayats/Forest Department for construction of treatment plants, etc. KWA also attributed the slippage to delayed administrative clearance by various department and delay in obtaining approval from State Government for tenders exceeding Rs 1 crore.

7.14.4 Diversion of funds meant for benefit of SC/ST

Funds set apart to benefit SC/ST were diverted

According to norms, at least 25 per cent and 10 per cent of the ARWSP funds were to be utilised for the benefit of Scheduled Castes (SC) and Scheduled Tribes (ST) respectively. Accordingly, KWA was to release 35 per cent of funds to District Collectors (DCs) for the implementation of the SC/ST component of the scheme. In accordance with GOI norms, Rs 71.56 crore (i.e., 35 per cent of funds) received during 1995-2001 was to be utilised on SC/ST schemes. KWA directly spent Rs 8.40 crore on sub schemes and released Rs 69.62 crore to the District Collectors. However, out of these amounts Rs 17.85 crore could not be drawn in 1999-2000 by DCs due to treasury restrictions. Further, grant of Rs 11.22 crore (including SC/ST scheme share of Rs 3.34 crore) received from GOI in March 2000 was not transferred to KWA by Government even as of March 2001. The utilisation of Central assistance by DCs also was tardy. Six DCs had an unspent balance of Rs 10.48 crore out of Rs 22.53 crore received by them as of March 2001.

7.14.5 Domestic and non-domestic connections given contrary to prescribed norms

Contrary to guidelines domestic/non-domestic connections were given widely

ARWSP provided for supply of drinking water only through public stand posts (SP) and prohibited giving domestic (DC) and non-domestic (NDC) water connection schemes. Scrutiny revealed that in violation of scheme provisions, 2274* domestic connections (for commercial and industrial purposes) and 104 non-domestic connections were given under six schemes (three in PH Division, Perumbavoor, one in PH Division, Thiruvananthapuram and two in PH Division, Kollam) while only 887 stand posts were established. The scheme in which the deviation was more prominent was ARWSS, Vilavoorkal (PH Division, Thiruvananthapuram) where 970 domestic connections were given as against 198 stand posts. Possibility of malpractice in such cases cannot be ruled out. The matter calls for investigation. As the schemes were intended to provide potable water to rural population at the rate of 40 lpcd exclusively through stand posts, such large scale supply of water through domestic and non-domestic connections resulted in denial/short supply of potable water to the targeted population at the prescribed level.

7.14.6 Huge time and cost overrun

Huge cost over-runs due to inordinate delays in completing age-old schemes

Estimates of individual ARWSP schemes were approved by GOI, but ARWSP funds were released by GOI in lump sum for all such schemes as per the prescribed criteria. Any excess expenditure on schemes over the sanctioned estimates was to be met from State funds under MNP. KWA made no effective action plan to avoid cost and time over runs and to judiciously utilise the GOI funds for timely completion of the schemes.

An analysis of 154 schemes (out of 515) under ARWSP sanctioned during the period 1978-2001 revealed that only 26 schemes (17 per cent) were completed as of March 2001. The cost over-run in respect of these schemes worked out

* Thiruvananthapuram – SP: 198, DC: 970 and NDC: 22
Ernakulam – SP: 634, DC: 1249 and NDC: 82
Kollam – SP: 55, DC: 55

to Rs 17.23 crore which was 118 *per cent* over the original sanctioned estimated cost. Five schemes where cost escalation was steep, are mentioned below:

Name of ARWSS and District	Year of sanction	Cost (Rs in crore)	
		Estimated	Actual
1. Alur–Thazhakkad, Thrissur	1985-86	0.22	1.16
2. Chengamanad–Nedumbasserry, Ernakulam	1984-85	0.60	3.26
3. Padinjarathara & Thirode, Wayanad	1986-87	0.44	1.59
4. Vathukudy, Wayanad	1988-89	0.48	1.45
5. Thiruvallur-Ayancherry & Kottappady, Kozhikode	1987-88	1.05	3.16
Total		2.79	10.62

Of the remaining 128 schemes, 31 schemes sanctioned between 1992-2001 at a total cost of Rs 137.33 crore were yet to be taken up. The balance 97 schemes estimated to cost Rs 306.12 crore remained incomplete though Rs 98.73 crore (32 *per cent*) was spent as of March 2001. In 17 out of 97 incomplete schemes, cost over-run as of March 2001 was Rs 16.63 crore over-shooting the total estimated cost by 106 *per cent*. As excess expenditure was met from funds for MNP or assistance from LIC/HUDCO, which could otherwise have been utilised on other schemes, failure to complete the schemes in time impeded the implementation of other schemes.

7.14.7 *Lethargic implementation of schemes*

a) KWA took up an Accelerated Rural Water Supply Scheme to Kothakulangara South and Manikkamangalam village in Ernakulam District at an estimated cost of Rs 1.50 crore, in October 1993 for completion by September 1996. For the scheme intended to benefit a population of 59 thousand, water was to be tapped from the in-take structure put up in Periyar river for the Angamaly Water Supply Scheme. Major components of the scheme were treatment plant (TP), pumping main of 3550 metres, OH tank and distribution system.

As of August 2001, works on TP and pumping main were not commenced and the distribution system remained partially completed. Delay in completion of TP was mainly due to non-availability of required land from the panchayat authorities (till May 1998) and the failure to finalise the tender despite repeat tender calls in July 1998/October 1998/December 1998/August 2000. Due to non-availability of pipes, distribution system over 3368 metres was not taken up. Thus, though expenditure of Rs 1.33 crore was incurred as of March 2001, the scheme remained incomplete (August 2001).

b) ARWS scheme in Marukil-Maranallur villages in Thiruvananthapuram District (estimated cost of Rs 1.54 crore) was to be completed within October 1996. The major components of the scheme were well-cum-pump house, treatment plant, clear water sumps, raw water pumping main, transmission main, gravity main, two ground level service reservoirs (GLSR), one over-

head service reservoir (OHSR) and distribution system in three zones. However, except transmission main, one GLSR and distribution system in two zones, works on other components were not taken up as of May 2001. Construction of intake arrangement entrusted to Irrigation Department in March 2000 was not started as of May 2001. Though KWA identified 15 cents of land in Maranallur Panchayat in 1993 for construction of OHSR, it was not acquired even as of May 2001. Meanwhile, the land owner constructed a residential building on this land. No alternative site for construction of OHSR was identified as of May 2001. Total expenditure incurred on the scheme up to March 2001 was Rs 1.12 crore.

Thus, the scheme stipulated for completion by October 1996 remained incomplete after five years (May 2001) and investment of Rs 1.12 crore fetched no return.

c) ARWS scheme at Kothakulangara North village in Ernakulam District costing Rs 1.94 crore, was due to be completed by February 1996. The scheme intended to supply treated drinking water to designed population of 43 thousand people comprised an intake well-cum-pump house, treatment plant, a ground level tank and distribution system. As of November 2000 only a portion of the pumping main and distribution system had been executed by KWA and work on other components has not been started (May 2001). Even the estimates for treatment plant and ground level tank had not been sanctioned by the MD, KWA. Tenders for the work on intake well-cum-pump house invited on four occasions between December 1996 and May 2000 could not be finalised as the rates were considered to be very high. Pipes costing Rs 60.59 lakh were procured between June 1996 and August 1999 and part of the pumping main and distribution system laid at an expenditure of Rs 12.78 lakh. For want of pipes of the required specifications (200 mm CI), pumping main and distribution system remained incomplete. The unnecessary procurement of pipes much ahead of completion of other components was done in disregard of direction issued (March 1993) by Managing Director, KWA to give first priority for the works on source and reservoirs and to take up distribution system after achieving sufficient progress on other components. Thus, execution of the various components were not dovetailed by Chief Engineer in a phased and planned manner resulting in unfruitful investment of Rs 73.37 lakh and non-completion of the scheme for five years.

7.14.8 Unnecessary piling up of stock of pipes

Two PH divisions (Thiruvananthapuram and Kollam) purchased pipes worth Rs 4.11 crore for 5 ARWS schemes during June 1997 to January 2001 with the sole intention of projecting utilisation of funds to forestall reduction in future release of funds by GOI vide details in the following table:

(Rupees in crore)

Division and name of schemes with month of sanction	Estimated amount	Up-to-date expenditure	Expenditure on purchase of pipes	Stage of work
PH Division, Thiruvananthapuram, i) Edakode and adjacent Villages - May 1998	6.09	1.33 (January 2001)	1.32	Work not awarded
ii) Irooppara and adjacent villages - February 1999	4.12	0.54 (January 2001)	0.54	-Do-
iii) Kazhakootam and Meenamkulam – February 1999	2.90	0.20 (January 2001)	0.20	-Do-
PH Division, Kollam. i) Pathanapuram and adjacent villages - October 1993	3.78	1.13 (March 2001)	1.07	Construction of well and pump house stopped as land for treatment plant was not available
ii) Kulathupuzha and adjacent villages - October 1993	1.91	1.13	0.98	-Do-
Total	18.80	4.33	4.11	

Huge stock of pipes procured without any linkage to works in progress

The expenditure incurred on these works (excluding the cost of pipes) was insignificant as of March 2001 and therefore the procurement of so much pipes had no justification. In Thiruvananthapuram PH Division, Rs 2.06 crore worth of pipes intended for 2 Urban WSS was booked as expenditure on three schemes to be arranged under ARWSP, owing to insufficient budget provision under Urban WSS. Thus pipes procured ostensibly for the ARWSP schemes were diverted for other schemes under Urban Water Supply Programme.

The pipes held in stock were covered by suppliers' guarantee for only 1 to 2 years after purchase and as they were lying unused for very long periods, loss if any due to defective supply, would have to be borne by the State Government. Thus premature purchase exposed KWA/Government to risk of defective supply.

7.14.9 Non-utilisation of GOI assistance

GOI assistance of Rs 1.13 crore for computerisation not utilised

GOI released in December 1999 Rs 1.13 crore to State Government for computerisation activities in the State during 1999-2000. But the funds remained unutilised with KWA as of September 2001 as KWA did not obtain GOI instructions on the purpose and manner of utilisation of the assistance.

7.14.10 Delay in completion of projects on fluoride/salinity control

Two Sub Mission Projects were sanctioned by GOI during 1997-98 and eight by State Government during 1998-2000 at an estimated cost of Rs 54.67 crore

for controlling excess salinity/fluoride problems. These projects were to be completed within three years. The status of the above schemes as of March 2001 was as follows:

(Rupees in crore)

Name of Submission project and year of sanction	Nature of quality problem	Project cost			Expenditure up to February 2001			Present stage
		Total	Central share	GOI release	Central	State	Total	
CWSS to Alappad and Clappana 1997-98	Salinity	7.23	5.42	2.71	0.65	0.21	0.86	Land for tank not available
CARWSS to Kozhinjampara 1997-98	Fluorosis	6.22	4.67	3.50	2.87	0.96	3.83	Dispute with contractor
RWSS to Venkitangu 1998-99	Salinity	2.48	1.49	Nil	Nil	Nil	Nil	Project not yet started
Edavilangadu WSS 1998-99	Salinity	3.94	1.97	Nil	Nil	Nil	Nil	-- Do --
Puduserry RWSS 1998-99	Fluorosis	6.24	3.12	Nil	Nil	Nil	Nil	-- Do --
RWSS to Kodumba etc. 1999-2000	Fluorosis	9.73	7.30	Nil	Nil	Nil	Nil	-- Do --
Azhiyoor WSS 1999-2000	Salinity	6.35	4.76	Nil	Nil	Nil	Nil	-- Do --
Uppalam WSS 1999-2000	Salinity	5.10	3.83	Nil	Nil	Nil	Nil	-- Do --
Varkedy Phase I 1999-2000	Salinity	3.27	2.45	Nil	Nil	Nil	Nil	-- Do --
Varkedy Phase II	Salinity	3.61	2.71	Nil	Nil	Nil	Nil	-- Do --

Failure to complete the scheme led to loss of Central assistance of Rs 6.57 crore for fluoride/salinity control schemes

The above table shows that eight schemes sanctioned during 1998-2000 were not started as of April 2001. Comprehensive Water Supply Scheme to Alappad, Clappana and Kozhinjampara for controlling salinity and fluoride problems in 46 habitations were sanctioned during 1997-98 at an estimated cost of Rs 13.45 crore to be completed by March 2001. Out of the Central share of Rs 10.09 crore (75 per cent), GOI released Rs 6.21 crore (May 2001). However, KWA could spend only Rs 3.52 crore as of March 2001. As Central assistance was available only up to March 2001, Central share of Rs 6.57 crore was thus foregone though the State needed the money for an important scheme meant for the welfare of the rural people.

7.14.11 Acutely fluoride affected districts ignored

Worst affected district was ignored in implementation of the fluoride control scheme

A rural population having no safe water source due to acute toxicity, such as, excess salinity, iron, fluoride or arsenic was to be given first priority for coverage under No Safe Source (NSS) habitations. The Chief Engineer, Investigation, Planning and Design, Kochi in his report* on water quality affected habitations in Kerala, identified Alappuzha District as the worst hit district with 53 affected Panchayat wards. Despite this report, no scheme was sanctioned by Government for Alappuzha District as of September 2001. On the other hand Palakkad District which had only 9 affected Panchayat

* Annual Report on Quality Monitoring Programme 1999-2000.

wards, was sanctioned three schemes for fluoride control at Rs 22.19 crore in January 1998/February 1999/August 1999. According to the National Medical Journal of India (No.3-1999), high fluoride content of drinking water was ascribed for dental fluorosis widely prevalent among the school children in Alappuzha. KWA accepted the audit observation and clarified (September 2001) that three schemes for Alappuzha Districts were under consideration.

7.14.12 Non-implementation of a IEC project despite advance release of funds

Poor utilisation of funds led to loss of Central assistance of Rs 30.48 lakh

GOI approved (March 1996) an Information, Education and Communication (IEC) Project for Thiruvananthapuram, Alappuzha and Malappuram districts on a pilot basis at a cost of Rs 1.22 crore to be shared between GOI and State Government on 50:50 basis. First instalment of Rs 30.48 lakh was released by GOI in March 1996. State Government, in anticipation of release of second instalment of GOI share, released the entire project cost amounting to Rs 1.22 crore in March 1997 to District Rural Development Agency (DRDA), Thiruvananthapuram. The Project due to be implemented by March 1998, had not been completed as of May 2001. Expenditure incurred till May 2001 was Rs 32.07 lakh (26 per cent) and second instalment (Rs 30.48 lakh) was not released by GOI due to non-submission of utilisation certificate by DRDA. District Co-ordination Agencies (DCAs) were to be identified and appointed to carry out the projects at district level. DCAs were appointed in Malappuram (March 1999), Alappuzha (November 1998) and Thiruvananthapuram (December 1998). Due to poor performance, DCAs of Malappuram and Alappuzha were replaced in June 2000 and February 2001 respectively. Poor progress in implementation of the project led to lapse of Central assistances of Rs 30.48 lakh besides locking up of Rs 89.86 lakh with DRDA for more than four years. DRDA attributed the poor progress to treasury restrictions.

7.14.13 Laxity in control of water borne diseases

There were two Quality Control Divisions (QCD) at Kozhikode and Aluva to carry out quality control analysis of water supply schemes. Audit scrutiny of records of QCD, Kozhikode disclosed that quality monitoring of ARWSS was not satisfactory. The major deficiencies indicated in the Annual Reports were improper dosage of chemicals, improper disinfection, lack of supervision and improper maintenance of machinery, inadequacy/absence of quality monitoring equipment and chemicals and non availability of trained personnel. No test for quality was carried out in 9 out of 30 treatment plants while water was supplied to the public without any quality check in 14 out of 40 distribution points. As per the records maintained by Kozhikode QCD in respect of 20 schemes test checked in audit, coliform bacteria was present ranging from 15 per cent to 100 per cent in samples tested during 1999-2000.

7.14.14 Poor utilisation of capacity

Test-check of records of QCD, Kozhikode relating to 20 schemes in seven districts revealed that KWA failed in the proper maintenance of four schemes

intended to benefit 5.94 lakh population and to ensure that safe water was provided to the population utilising maximum capacity of the schemes. The details of the schemes are given in Appendix XXXI. Neither KWA nor any outside agency conducted any evaluation study on the status and impact of implementation of ARWSP in Kerala. KWA admitted (September 2001) that only a re-survey would reveal the actual status of water supply coverage in habitations.

The above points were referred to Government in July 2001; reply has not been received (October 2001).

7.15 Accelerated Urban Water Supply Programme

Overall assessment

Against Rs 11.99 crore released to KWA during 1993-2001 only Rs 3.26 crore (25 per cent) was spent on the programme. Bulk of unspent funds were retained by KWA. Though Government of India identified 40 problem towns, KWA prepared Detailed Project Reports for implementing the programme in nine towns only out of which it commenced the schemes only in three towns. Consequently, intended programme benefits could not reach 4.47 lakh people in those uncovered problem towns and potential Central assistance of Rs 22.38 crore was foregone. Even the three schemes launched in 1995-97 progressed at a snail's pace though Rs 3.24 crore was spent on them against the estimated outlay of Rs 3.71 crore (for 2 schemes). Implementation of the third scheme, estimated at Rs 3.42 crore, did not take off (October 2001). Thus, slackness in preparation of project reports and sluggish execution of schemes led to tardy implementation of the programme though funds were not a constraint.

7.15.1 Introduction

Accelerated Urban Water Supply Programme (AUWSP) was launched by Government of India in March 1994 to provide safe drinking water in towns with population of less than 20,000 (as per 1991 census) during Eighth Plan (1992-97) with secondary objective of improving the environment, quality of life with a view to improve the socio-economic conditions as well as enhancing productivity to sustain economy of the country. The scheme was financed by GOI and State Government in the ratio 50:50. The scheme was extended to Ninth Plan period (1997-2002). Forty towns in Kerala were identified by GOI for financial assistance under the scheme.

Forty towns identified for implementing the programme

Kerala Water Authority (KWA) is the nodal agency for the overall implementation of this scheme. Secretary, Irrigation (Water Supply) Department was responsible for the over all implementation of the programme. The implementation of the programme during 1993-2001 was reviewed through test check of the records of the headquarters office of KWA, CE (IPD), Deputy CE (Planning & Monitoring), and PH Divisions, Mattannur and Irinjalakuda.

7.15.2 Financial outlay and expenditure

a) The details of allocation by GOI and State Government and expenditure for the period 1993-2001 are given in the table below:

(Rs in lakh)

Year	Allocation		Releases		Total funds available with KWA*	Expenditure by KWA (Percentage of utilisation)	Unspent balance at the end of the year
	Central share	State share	Central share	State share			
1993-94	28.21	-	-	-	-	-	-
1994-95	37.62	65.00	28.21	65.00	93.21	-	93.21
1995-96	25.00	100.00	-	100.00	193.21	10.50 (5.43)	182.71
1996-97	48.00	250.00	59.00	250.00	491.71	42.79 (8.7)	448.92
1997-98	64.39	-	-	-	448.92	70.05 (15.6)	378.87
1998-99	85.50	100.00	163.89	100.00	642.76	93.11 (14.5)	549.65
1999-00	67.69	125.00	67.69	125.00	742.34	55.68 (7.5)	686.66
2000-01	127.68	150.00	127.68	112.50	926.84	54.35 (5.86)	872.49
Total	484.09	790.00	446.47	752.50	1198.97	326.48	872.49

Gross under-utilisation of GOI assistance

GOI funds for the scheme was mostly released during 1998-2001 when Rs 3.60 crore out of the total release of Rs 4.46 crore was released. Similarly out of the State share of Rs 7.52 crore most of the funds (Rs 3.37 crore) was released during 1998-2001. The pace of utilisation of programme funds was very slow and only Rs 3.26 crore (25 per cent) was spent by KWA against funds received (Rs 11.99 crore). The delay in implementation was attributable to delay in obtaining the land required for the implementation of the scheme from the local bodies. The problem had not been addressed by KWA/Government seriously.

Central assistance of Rs 37.62 lakh not released to KWA for more than 6 years

b) State Government did not release to KWA Rs 37.62 lakh received from GOI in 1994-95 for AUWSP, Panniyannur. Further, programme funds (Rs 11.99 crore) were kept in Personal Deposit/Treasury Savings Bank account though GOI instructed to keep AUWSP funds in a separate account.

Central grant of Rs 25 lakh given to KWA as loan

c) State Government released (June 1996) the Central grant of Rs 25 lakh (March 1996) as loan to KWA carrying 17 per cent interest. Government did not furnish reasons for releasing the Central grant as loan, nor rectified the mistake (March 2001).

7.15.3 Non coverage of problem towns identified by GOI

Heavy backlog in selection of problem towns

The selection of towns for the implementation of the scheme was to be done by the State Level Selection Committee (SLSC) constituted by Government in July 1995. Out of 40 problem towns identified by GOI in 1991 census SLSC selected only 11 towns up to July 1999.

Central assistance of Rs 22.38 crore lost

Preparation and finalisation of detailed project report (DPR) for the selected towns was tardy. Of the 11 towns selected, DPRs were prepared for nine towns only and GOI approved 5 DPRs upto February 2001. Out of these, only three schemes were commenced. Even schemes sanctioned by GOI in 1997

* Includes closing balance of previous years.

4.47 lakh people
deprived of safe
drinking water

had not been commissioned yet as discussed in sub para 7.15.4. Due to non-selection by SLSC of the remaining towns (29) identified by GOI and non-preparation of DPRs (35 towns) by KWA, implementation of the programme could not be extended to these towns. Consequently, 4.47 lakh people in those problem towns were deprived of safe drinking water and Central assistance of Rs 22.38* crore was foregone. Implementation of the programme in more and more identified problem towns was largely dependent on more energetic initiatives on the part of the State Government and speedier resolution of the problem of non-availability of land required for the schemes.

KWA stated (October 2001) that depending on resources and staff available reports for maximum number of schemes possible would be prepared.

7.15.4 Implementation of the scheme

A test-check of 3 schemes out of four taken up by KWA between January 1995 and October 1997 revealed the following irregularities/shortcomings:

i) AUWSS, Panniyannur

Belated arrangement
of component works

AUWSS to Panniyannur town in Kannur District was sanctioned by GOI in January 1995 at an estimated cost of Rs 2.34 crore to benefit a population of 19.3 thousand. Land required for construction of well, treatment plant and overhead tank was made available by the local bodies only in December 1996 and October 1997. The detailed estimate for construction of weir has not been prepared as of March 2001.

Pipes costing
Rs 1.55 crore lying
idle for 2 to 5 years

Works on other components such as raw water pumping main, clear water pumping main and distribution system were awarded in March 1999, January 1999 and July 1999 with the stipulation to complete the work within one month, three months and six to fifteen months respectively. The firm executing the construction of over head tank stopped work in April 2000 and the balance works has not been re-arranged (May 2001). The work on the intake well-cum-pumphouse, stopped by the contractor in September 1999, has not been re-arranged. Works on the pumping main and distribution system entrusted with 11 contractors had not been completed (May 2001). Pipes costing Rs 1.55 crore purchased between June 1996 and May 1999 were lying unused. The total expenditure incurred on the scheme was Rs 2.49 crore as of March 2001 against completion of only 20 per cent of the works. The inordinate delay in implementation of the scheme pushed up the estimate to Rs 4.10 crore (revised in August 1998) from Rs 2.34 crore originally estimated. KWA stated (October 2001) that all out efforts were taken to commission the scheme by March 2002.

b) In the estimate for the AUWSS to Panniyannur, the unit rate for the item 'Earth work in trenches to lay pipes – labour charges' under the component 'laying clear water pumping main' was incorrectly indicated as

* Computed based on the beneficiary unit capital cost of Rs 1000 provided in GOI guidelines.

Defective preparation of estimate entailed excess expenditure of Rs 24.54 lakh

‘per cubic metre’ instead of the correct unit rate of ‘per 10 cubic metres’. The estimate, therefore, exhibited the inflated cost of Rs 27.18 lakh for the item instead of the actual value of Rs 2.64 lakh as computed with reference to unit rate of ‘per 10 cubic metres’. Thus, the value of work unjustifiably increased by Rs 24.54 lakh. Extra liability of Rs 12.27 lakh was borne by the Central Government. KWA did not furnish details of action taken against the officers for the error in the estimate leading to excess expenditure (May 2001).

ii) A UWSS, Pudukkad

For want of land, the scheme was at a stand-still

GOI sanctioned AUWSS to Pudukkad town in Thrissur District in August 1996 at an estimated cost of Rs 1.37 crore to benefit a population of 11.7 thousand. This scheme had not taken off even as of March 2001 as the panchayat did not make available land needed for the scheme. Government had not initiated any action to acquire the required land. However, pipes costing Rs 75.23 lakh had been procured for the scheme between April 1996 and January 1999 by KWA. KWA stated (October 2001) that the scheme would be completed within two years.

iii) A UWSS, Koratty

For want of estimate, the scheme was not started

In October 1997, GOI approved the scheme intended to benefit 16.6 thousand beneficiaries at an estimated cost of Rs 3.42 crore to be implemented within a period of three years. As per the implementation schedule, the scheme was to be commissioned by December 2002. Though land required for the scheme had been acquired in December 1999, works could not be started for want of detailed estimate. KWA stated (October 2001) that work on source has been arranged and that OH tank and TP works were at tender stage.

7.15.5 Monitoring and evaluation

No regular review by KWA

Barring two review meetings (September 1997 and September 2000), the scheme was not reviewed by KWA. Though GOI adversely commented on the tardy implementation of the programme, details of remedial action to speed up implementation were not available. Government did not conduct any evaluation study of the implementation of the programme even after a lapse of seven years.

The above points were referred to Government in July 2001; reply has not been received (October 2001).

7.16 Unnecessary borrowing from Life Insurance Corporation for implementation of water supply schemes

Kerala Water Authority (KWA) raises loans from financial institutions like LIC, HUDCO, etc. to finance implementation of its various on-going as well as new schemes. During March 1992 to March 2000, KWA borrowed Rs 14.26 crore from Life Insurance Corporation of India (LIC) for 11 schemes intended to supply water to 12 villages and two towns. None of the schemes

has been completed as of May 2001. Meanwhile KWA had to cough out Rs 6.33 crore (March 2001) towards interest on funds borrowed from LIC. Details are given below:

- Loan of Rs 11.78 crore raised from LIC and required land obtained in 1998**
- i) Government sanctioned eight schemes of KWA, i.e. three Rural Water Supply Scheme (RWSS) each in March 1996 (Rs 23.66 crore) and March 1997 (Rs 17.45 crore), one in March 2000 (cost: Rs 6.50 crore) and the Urban Water Supply Scheme (UWSS) to Feroke Town (cost: Rs 8.40 crore) in March 1997. Government also approved the proposal of KWA to raise loans from LIC for the schemes. Accordingly Rs 11.78* crore bearing interest at 13 per cent was borrowed from LIC during March 1996 - March 2000. KWA took possession of 3.44 hectares of land at a cost of Rs 27.17 lakh between March 1998 and December 1998 for the common components in these schemes. According to the time schedule formulated by the Chief Engineer (CE), Northern Region, implementation of the various components of the schemes was to be commenced in October 1997 and completed by December 2001. However, tenders for the work were not finalised (May 2001) due to irregularities in the tender procedure and decision (April 1999) of Government for re-tender. Government has not accorded approval to award the work, based on the re-tender in November 1999 as of June 2001. Thus the schemes were languishing for five years even though land and money was available. Pipes worth Rs 6.71 crore purchased between May 1999 and July 2000 remained idle.
- Tenders not approved by Government**
- Pipes worth Rs 6.71 crore remained idle**
- Thus, CE's failure to arrange execution of the works led to non-implementation of the schemes despite availability of land and funds. However, KWA paid (March 2001) interest of Rs 4.55 crore on LIC loans for the schemes.
- Interest of Rs 4.55 crore paid to LIC**
- ii) For an Accelerated Rural Water Supply Scheme to Kottappady village (estimated cost of Rs 53 lakh) sanctioned in 1985, a concrete weir (cost Rs 10.78 lakh) and distribution lines for 30 km (cost Rs 50.10 lakh) were completed in March 1989. Intake arrangement, but for which the scheme would be non functional, was however, not executed as land for construction of source was not made available by the Grama Panchayat. No other component of the scheme was also completed as of May 2001. Total expenditure on the scheme incurred up to March 2001 was Rs 69.41 lakh.
- Land for developing source not available**
- Though implementation of the scheme was at a stand-still since March 1989, MD, KWA revised the estimate to Rs 2.08 crore in March 1992 and raised a loan of Rs 58 lakh from LIC in March 1992. During last 9 years there was no improvement in the matter of acquiring land. Thus, raising of loan was unjustified and premature and led to avoidable payment of interest of Rs 57.88 lakh up to January 2001 without any benefit. The burden of unnecessary interest payment would increase if the funds were not put to productive use immediately. For this, however, there was no scheme in hand with the KWA.
- Rs 58 lakh raised from LIC in March 1992**
- Interest paid amounted to Rs 57.88 lakh**

* (Rs 2.76 crore in March 1996, Rs 4.84 crore in March 1997 and Rs 4.18 crore in March 2000).

Rs 1.90 crore borrowed from LIC
Major components not executed

iii) For implementation of two Water Supply Schemes to Methala Town and Eriyad Village in Thrissur District at an estimated cost of Rs 9.93 crore and Rs 5.95 crore respectively, KWA obtained loan of Rs 1.90 crore from LIC in March 1996. However, even after five years since the sanction of schemes in March 1996, major components of the schemes (well-cum-pump house, treatment plant, pumping and gravity main, OH tank, clear water sumps and distribution system etc.) had not been started (May 2001) due to delay in completion of soil investigation, non-obtaining of lands from the Panchayats and procurement of pipes. As of January 2001 KWA paid Rs 1.20 crore to LIC as interest on the loan which was not put to any productive use.

Interest paid was Rs 1.20 crore

The above points were referred to the Secretary to Government in July 2001; reply has not been received (October 2001).

LOCAL SELF GOVERNMENT DEPARTMENT

Zilla Panchayat, Kozhikode

7.17 Setting up of a mini industrial estate

Despite spending Rs 1.33 crore, the project to establish mini industrial estates did not fructify because of the initial wrong decision to implement it through a trust.

Zilla Panchayat, Kozhikode proposed establishment of three mini industrial estates (MIEs) in Kozhikode, Koyilandy and Vadakara Taluks, each on 10 acre of plots with provision for 50 entrepreneurs at a total cost of Rs 13.50 crore. Provision of Rs 4.50 crore for setting up an estate at Nallalam Panchayat in Kozhikode Taluk was earmarked in the Annual Plan for 1997-98. In February 1998, the Kozhikode Zilla Panchayat Industrial Trust (KOZPIN) was registered to run the estates. The Zilla Panchayat (ZP) remitted to the Trust Rs 1.33 crore (Rs 50 lakh in March 1998; Rs 83 lakh in March 1999) for acquisition of land for the estate at Nallalam Panchayat. In March 2000, Rs 70 lakh was paid by the Trust to the Special Tahsildar, Land Acquisition towards value of a plot (9.72 acres) identified for the estate. ZP, Kozhikode took the land into possession in August 2000.

In May 2001, ZP decided to dissolve the trust and to entrust the project with the District Industries Centre (DIC), Kozhikode. The trust was dissolved in June 2001.

Thus, decision to implement the project through a newly created trust not only delayed the implementation of the project for more than three years, but also led to avoidable locking up of People's Plan funds of Rs 1.33 crore. The balance unspent amount of Rs 66.74 lakh (including interest) was still kept in the accounts of the Trust and was not transferred to DIC (including interest) for implementation of the scheme as of August 2001.

The matter was referred to Government in June 2001; reply has not been received (October 2001).

Zilla Panchayat, Kannur

7.18 Avoidable locking up of funds

Delay in taking a final decision about the exact location and size of mini hydro electric project, resulted in locking up of plan funds of Rs 40 lakh with KSEB for more than three years.

Zilla Panchayat, Kannur deposited (June 1998) with Kerala State Electricity Board (KSEB) Rs 40 lakh for implementing the Haritheerthakkara Micro Hydro Electric Scheme in Kanakol Alapadamba Panchayat with an installed capacity of 100 KW (0.1 MW) as a deposit work. In a meeting held (September 1998) between the President, Zilla Panchayat (ZP) and KSEB, it was decided to take up Adakkathodu Small Hydro Electric Scheme in Kelakom Panchayat with an higher installed capacity of 2.5 MW at a cost of Rs 4.94 crore as estimated by KSEB. Subsequently, ZP decided (October 1998) to execute the Kalanki Mini HE Scheme in Padiyur Kalliyadu Panchayat with an installed capacity of 1 MW in lieu of Haritheerthakkara Scheme. Though KSEB was addressed by the ZP in November 1998 on the proposed new scheme, there was no response and ZP decided (July 1999) to drop the proposals for the mini power project. Though ZP demanded (July and December 1999) refund of the deposit of Rs 40 lakh, KSEB did not refund it as of May 2001.

The failure to decide upon the location, installed capacity etc. of the proposed mini hydro electric project in Kannur under the People's Plan Campaign (PPC) led to blocking of PPC funds of Rs 40 lakh for three years.

The matter was referred to Government in June 2001; reply has not been received (October 2001).

Kottayam Municipality

7.19 Blocking of capital due to delay in setting up software technology park

Failure to complete electrification and allied works resulted in non-starting of the Software Technology Park, Kottayam and rendered the expenditure of Rs 24.75 lakh unfruitful.

Kottayam Municipality provided Rs 45 lakh in its Annual plans 1998-99 (Rs 30 lakh) and 1999-2000 (Rs 15 lakh) for starting a Software Technology Park at the Municipal Guest House premises. The park to be set up at a cost of Rs 50 lakh was to turn out 8000 'knowledge workers' as part of the Integrated

Information Technology centres being implemented by local bodies under People's Plan Campaign. The Municipality entered into an agreement with the Software Technology Park of India (STPI) to establish the park and paid Rs 15 lakh to STPI in March 1999.

Municipality spent Rs 4.80 lakh on remodelling/maintenance of its three storied guest house building to locate the park but it was not completed as of August 2001. It also spent Rs 4.95 lakh to provide ancillary facilities like D.G set (Rs 3.20 lakh), EPABX (Rs 0.67 lakh) and Xerox machine (Rs 1.08 lakh). However, estimates for electrification (Rs 15.90 lakh) was not approved as of August 2001. Consequently, the park proposed to be commissioned in January 1999 could not be set up even as of August 2001. Thus, Rs 24.75 lakh spent on it, turned out to be unproductive.

The matter was referred to Government in July 2001; reply has not been received (October 2001).

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