

**PUBLIC ACCOUNTS COMMITTEE
(1966-67)**

SIXTY-SEVENTH REPORT

**[Appropriation Accounts 1964-65 and Audit Report, 1966
relating to the Government of Kerala]**

VOL. I—REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

January, 1967 Pausa, 1888 (Saka)

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OF P.A.C. (1966-67)
(LAI'D ON THE TABLE OF FOURTH LOK SABHA ON 28.3.67)

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46	5.11	1-2	Appendix XXXI	(Appendix XXXI)
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94	8.29	3	his	this
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99	8.55	3	"The	The

(ii)

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100	8.61	9	payment."	payment
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116	9.6	3	C.W.P.D.	C.W.P.C.
117	9.20	3	estimated	estimate
119	9.29	1-2	advance	advanced
119	9.31	2	construction	construction of
			masonry	masonry
125	9.53	8	whole:-	whole
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163Col.3		1	for "Do"	Agriculture and
				Rural Development
164Col.3	--		Delete "Health and Labour	
168Col.4		7	Similarly	Similarly
168Col.3		4	for "do"	Education
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176Col.4		1	appears	appear
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181Col.4		8	district	distinct
184Col.3		2	After "do" add Railway Board/ Ministry of Finance, Government of India.	
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199Col.4		9	been proved	not proved
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			of 1967).	of 1967.

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*Appendices II to LV have been incorporated in Vol II—Appendices of this Report.

†Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.

PUBLIC ACCOUNTS COMMITTEE
(1966-67)

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Shri R. R. Motarka

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20. Shri M. C. Shah
21. Shri B. K. P. Sinha
22. Col. B. H. Zaidi.

SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

*Resigned his seat in Lok Sabha with effect from the afternoon of 29-11-1966.

INTRODUCTION

1, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this **Sixty-Seventh Report on Appropriation Accounts, 1964-65, Finance Accounts, 1964-65 and Audit Report, 1966** relating to Government of Kerala.

2. The Appropriation Accounts, 1964-65, Finance Accounts, 1964-65 and Audit Report, 1966 of the Government of Kerala were laid on the Table of the Lok Sabha on the 5th May, 1966. As the time at the disposal of the Committee was limited, they selected only some of the paras from the Audit Report and examined them at their sittings held in the Legislative Assembly Chamber, Trivandrum from the 17th September to 23rd September, 1966 with the prior permission of the Speaker of Lok Sabha. A brief record of the proceedings of each sitting (Minutes) forms part of the Report (Part II)*.

3. A Sub-Committee was appointed on the 22nd September, 1966 (F.N.) to examine the last sub-para of para 40 of Audit Report, 1966. The Sub-Committee examined the sub-para at their sitting held on the 23rd September, 1966 (A.N.).

4. The Committee considered and finalised the Report at their sitting held on 22nd December, 1966 at New Delhi.

5. A statement showing the summary of the main conclusions, recommendations of the Committee is appended to the Report (Appendix I). For facility of reference these have been printed in thick type in the body of the Report.

6. Notes, statements furnished by Deptts. of Government of Kerala/Ministry of Government of India pursuant to the recommendations contained in their 47th Report (Third Lok Sabha) which have been received so far have been appended to this Report (Vol. III). A few selected cases have been dealt with in the body of the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts

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by the Comptroller and Auditor General of India and the Accountant General, Kerala.

8. They would also like to express their thanks to the officers of the Ministries of Home Affairs (Advisers to Governor of Kerala) and Finance of the Government of India and the Secretaries and other officers of the various Departments/Organisations of the Government of Kerala for the cooperation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;

6th January, 1967.

Pausa 16, 1888 (Saka)

R. R. MORARKA,

Chairman,

Public Accounts Committee.

Appropriation Audit and Control over Expenditure

**Excesses over voted Grants and charged Appropriations—Para 12—
Pages 12—18 of Audit Report, 1966.**

1.1. The Accounts for the year 1964-65 disclosed the following excesses over Voted Grants and Charged Appropriations:

1964-65

Excesses over Voted Grants

S. No.	No. and Name of Grant	Final Grant	Expenditure	Excess
		Rs.	Rs.	Rs.
1	I Agricultural Income-Tax and Sales Tax.	41,53,500	43,53,095	1,99,595
2	IV Taxes on Vehicles	8,18,800	8,22,412	3,612
3	V Stamps	11,82,300	13,27,515	1,45,215
4	VI Registration Fees	30,13,100	36,46,316	33,216
5	IX Heads of States, Ministers and Headquarters staff.	70,54,300	70,88,909	34,609
6	XI Administration of Justice	97,43,000	98,92,800	1,49,800
7	XXI Public Health Engineering	1,08,79,600	1,76,66,999	67,87,399
8	XXXII Irrigation	2,93,63,500	3,32,21,556	38,58,056
9	XXXV Transport Schemes	5,60,50,000	5,70,89,036	10,39,036
10	XLIII Capital Outlay on Public Health	1,05,02,900	1,06,54,109	1,51,209
11	XLVI Capital Outlay on Irrigation.	3,21,26,000	3,65,43,756	44,17,756
12	L Capital Outlay on Transport Schemes.	10,09,700	12,34,828	2,25,128
13	LII Commuted Value of Pensions.	2,50,000	3,28,118	78,118

Excesses over Charged Appropriations

Sl. No.	No. and Name of Appropriation	Final Appropriation	Expenditure	Excess
		Rs.	Rs.	Rs.
1	XXXII Irrigation	15,500	16,755	1,255
2	XXXIII Public Works	1,20,000	1,69,710	49,710
3	XL Miscellaneous	48,22,300	48,60,069	37,769
4	XLIV Capital Outlay on Agriculture.	27,300	96,745	69,445
5	L Capital Outlay on Transport Schemes.	79,300	82,133	2,833

1.2. The following table compares the number and amount of excesses over total grants during 1964-65 with the excesses in the preceding three years:

Year	No. of cases	Amount (In lakhs of rupees)
1961-62	11	1,40.18
1962-63	9	1,27.08
1963-64	9	1,93.01
1964-65	13	1,71.23

1.3. The following table compares the number and amount of excesses over charged Appropriations during 1964-65 with the excesses in the preceding three years:

Year	No. of cases	Amount (In lakhs of Rs.)
1961-62	2	0.04
1962-63	4	6.02
1963-64	9	17.90
1964-65	5	1.61

1.4. Notes explaining the reasons for the excesses under the various voted grants and charged appropriations during the year 1964-65 have been furnished by the Departments concerned and are at Appendices II to XVIII.

1.5. The observations of the Committee in respect of some of the cases of excesses are recorded in the following paragraphs.

(i) *Grant No. XXI—Public Health Engineering, 1964-65 (Voted).*

In the note furnished by the Health and Labour Department (Appendices VIII to IX) it has been stated that under Group Head-30 Public Health e-ii-C.I.—Maintenance of Willingdon Water Works, Trivandrum the excess expenditure of Rs. 2,70,909 was on account of enhanced wage rate of "N.M.R. Workers" and work establishment charges for the upkeep of the scheme which could not be postponed. The orders of the Government in this regard had to be given effect to immediately which resulted in the payment of a considerable amount. The orders were issued at the end of the financial year 1964-65 and as the expenditure had not exceeded the budget till December, 1964 necessary funds could not be obtained by moving a supplementary demand.

1.6. The Committee understand from Audit that the expenditure under this head of account exceeded the provision even by December, 1964 (provision—Rs. 7 lakhs, expenditure Rs. 7,34,643), but no additional funds were provided either by reappropriation or supplementary grant before the close of the year. The Committee regret to note that the fact mentioned in the note furnished by the Department in regard to the expenditure till December, 1964 is not correct. They hope that such instances will be avoided in future. The Committee regret that the Deptt. failed to take either of the steps which could have avoided the excess.

1.7. In the note it has also been stated that under Group Head, 30-P. H. e-v-suspense Debit-excess expenditure of Rs. 69,62,959 was on account of the fact, that the major debit in this case was during March, 1965. As this item of expenditure could not be anticipated, adequate provision could not be made either in the supplementary grant or by way of reappropriation.

1.8. The Committee understand that the excess was due to adjustment of debits advised by the Accountant General during the period October, 1963—March, 1964, and the Department could have provided necessary funds to cover the anticipated debits to 'Suspense' during the year. They hope that this fact will be taken note of in dealing with cases of this nature in future.

(ii) Grant No. XL—Miscellaneous 1964-65 (Charged).

1.9. In the note furnished by the Finance Department (Appendix XVII) it has been stated that under Group Head 71 (g) (xvii) A.I. Works, it has been stated that an amount of Rs. 55,410.75 was drawn by the District Collector, Quilon under "Suspense—Objection Book Advance" in September, 1962 to deposit in the court in satisfaction of a court decree. The expenditure was cleared by adjustment during 1964-65. There was only a provision of Rs. 5,000 under this head. The adjustment was made by the Accountant General in the accounts for July, 1964. This fact was not communicated to the Board of Revenue. However, the Accountant General issued warning slips to the Board of Revenue on 28th December 1964, 22nd January 1965 and 8th March 1965 regarding the excess over the appropriation. The Board could have taken action for providing funds as soon as the first warning slip from the Accountant General was received, which was not done and hence there was an excess of Rs. 50,411. The excesses were partly off set by savings under the two other group heads resulting in a net excess of Rs. 37,769.

1.10. The Committee regret to note that appropriate action was not taken by the Department as soon as the first warning slip was received from the Accountant General. They learn from Audit

that the Board of Revenue did not send any reply to the subsequent warning slips sent by Audit. The reconciliation of figures for 1964-65 has also not been completed by the Board. The Committee take serious notice of such lapses on the part of the Board of Revenue. They desire the Finance Department to issue necessary instructions to all the Departments to take prompt and appropriate action as soon as instances of the nature referred to above are brought to their notice by the Accountant General.

1.11. The Committee find that in certain cases of excesses, it has been stated that the expenditure was mainly due to the increase in dearness allowance sanctioned with effect from 1st October, 1964 by the Government in January, 1965 and the inadequate provision made for the purpose. This explanation of the Departments for the excess expenditure is hardly convincing to the Committee. They are of the opinion that with better coordination it was not difficult to overcome such a situation arising during the course of the year. Excess expenditure indicates lack of proper financial control. The Committee, therefore, suggest that a periodical review of the expenditure should be conducted to keep an effective control over the expenditure.

1.12. The Committee recommend that subject to these observations, the Excesses over Voted Grants and Charged Appropriations disclosed in paras 12(a) and 12(b) of Audit Report 1966 of Govt. of Kerala be regularised by Parliament in the manner prescribed in the Constitution.

Appropriation Accounts, 1964-65

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

Pages 58—60, Grant No. XXVIII-Community Development Projects, National Extension Service and Local Development Works.

1.13. The Committee pointed out that a sum of Rs. 29.57 lakhs out of the saving of Rs. 36.73 lakhs under this Grant was surrendered on the last day of the financial year and desired to know the reason for surrendering large amounts so late. The Joint Development Commissioner stated "I cannot justify that. What happens is that the schemes which we operate are not capable of full departmental control".

1.14. The Committee pointed out that the reasons for variation between the total grant and actual expenditure under a number of group heads were not furnished by the Departments for incorporation in the Accounts which had left the Appropriation Accounts

submitted to the legislature incomplete in essential details and enquired about the steps taken to improve the position in pursuance of the recommendation of the State Public Accounts Committee contained in para 116 of the IIIrd Report, 1960-61, para 140 of the IIIrd Report, 1961-62 and para 42 of the IInd Report 1963-64. The Finance Secretary stated that instructions had been issued on 21st June 1966. He added that "If anything happens this year, we will take serious note of that and action will be taken accordingly."

1.15. The Committee desired to be furnished with a detailed note showing the action taken on the recommendation of the State Public Accounts Committee in this matter. (Para 116 of the IIIrd Report 1960-61, para 140 of the IIIrd Report 1961-62 and para 42 of the IInd Report, 1963-64). The note has since been furnished and is at Appendix XIX.

1.16. The Committee desire that serious notice should be taken if the instructions already issued in this connection are not strictly followed by the Departments. They also suggest that the Finance Department should enquire as to why the Departments concerned could not furnish the necessary reasons for variations within a reasonable time of the receipt of the draft Appropriation Accounts from Audit. Steps should also be taken to solve the difficulties, if any, in this regard.

II

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

Payment without due verification of claim—para 52, pages 58-59

2.1. Ammonium Sulphate allotted to the State from the Central Fertiliser Pool is distributed to cultivators by the Fertilisers and Chemicals, Travancore Limited; for this service the Company is paid by Government distribution charges at Rs. 25 per ton of Ammonium Sulphate distributed by it. This payment is to be made after verification by the Agriculture Department of the accounts of the Company relating to sales and remittances of sale proceeds to Government. Claims aggregating Rs. 1,82,327 relating to the years 1954 to 1958 were allowed to the Company by Government in March, 1963 and March, 1965 without the prescribed departmental verification; the payments were made on the strength of—

- (i) certificates of the Managing Director of the Company regarding the distribution of the fertilisers to *bona-fide* cultivators, and
- (ii) indemnity bonds executed by the Company agreeing to refund excess payments, if any.

2.2. Government stated in May, 1965 that the Company had represented more than once that it was very difficult for them to obtain all the certificates from the field officers of the Agriculture Department in time and that it was agreed in a conference held in July, 1962 that the distribution charges then pending be paid on the basis of indemnity bonds to be furnished by the Company.

2.3. When the Director of Agriculture proposed that he would be deputing some of the staff of his office to verify the accounts available with the Company, the Company stated that no further details were available with them to enable the departmental officers to make verification.

2.4. The Committee desired to know whether any investigation had been conducted to ascertain as to why the prescribed departmental verification of claims was not done by the officers of the Agriculture Department for over ten years. The Additional Secretary (Agriculture) informed the Committee that the difficulty in regard to the verification was known at the time when the payment was agreed to during 1963—65. It was found practically impossible to get a field verification done. It was explained to Audit that

most of the officers who were in position in 1954—58 were no longer in these position and there were far too many changes. Some of the officers had gone to Madras State as a result of reorganisation of States. FACT being a Government company, it has considered that the only thing that could be done was to get an indemnity bond from them. The Department had also been subsequently trying to get these accounts verified. Now the accounts had been verified in the Central office. The accounts of the retail depots were not available for verification. Accounts in respect of the transactions for the year 1956—58 had been verified but the Department were not able to check the accounts in respect of the transactions for the years 1954 and 1955.

2.5. The Committee pointed out that under the agreement with the Company, the accounts relating to the sales and remittances were to be verified every month by the Department and enquired as to why accounts were not so verified. The witness stated that it was difficult to find out as to how the omission had occurred and added that the payment was made because, there was no reason for the Department to suspect the genuineness of the claims. In reply to a question, the witness stated that the Company (FACT) was complaining about the difficulties in regard to the payment being delayed. The Company had also reported their inability to trace the old records. The Accountant General, Kerala was also informed of the fact. The witness further added that a lot of payment were made on the basis of certificates of verification and claims in respect of Rs. 1.82 lakhs were not supported by certificates. On being asked as to why the officers did not comply with the provisions of the agreement, the witness stated that the reason was the expansion of the Agriculture Department. Previously, there was one agricultural officer per taluk. Then the Blocks were introduced. The whole system was changed and the officers were re-distributed. The company (FACT) found it difficult to contact each of the officers and get the accounts verified.

2.6. The Committee desired to know as to who was responsible to find out that the fertilisers were distributed to *bonafide* cultivators. The witness stated that the fertilisers were distributed by the FACT and the Agricultural Extension Officers attached to the Blocks were responsible to go through the accounts and to check whether the fertilisers were distributed to *bonafide* cultivators. On being asked about the procedure followed by the Agricultural Extension Officers, the witness stated that the Agricultural Extension Officers went through the list while giving certificates to the invoices produced by the FACT.

2.7. In reply to a question, the witness stated that there was an amount of Rs. 8 lakhs to be paid to the FACT as total distribution

charges relating to the years 1954 to 1958. About 3/4th of the cases had the proper certificates and only 1/4th of the cases had remained unchecked for want of certificates which related to various months during 1954—58. In reply to a question, the witness admitted that there were lapses throughout the period. On being asked as to when it was noticed that there were lapses, the witness stated that when the bills were presented to the Director of Agriculture, payment in respect of bills for which there were no supporting vouchers were withheld by him. On being asked about the action taken to rectify the mistake of the officers apart from withholding payment, the witness stated that there was no record to prove it. The Department only wrote to FACT to produce vouchers. In reply to a question, the witness stated that the arrangement agreed to was that the FACT would themselves go to the Agricultural Officers and get the certificates and added that the FACT being a Government Company, a slightly generous view was taken. It was thought that the FACT would be able to produce the certificates. When it was noticed that the FACT found it impossible to produce the certificates, some other arrangements were thought of.

2.8. When asked about the present system, the witness stated that the FACT deducted the distribution charges from the amount collected from the cultivators. Agricultural Officers had been instructed to check the depots occasionally to find out if there were any wrong issues. If there was any suspicion, that would be looked into separately. In reply to a question how it could be checked from the Depots, the witness stated that the names of cultivators were known to the Extension Officers. They were expected to check further if there were unfamiliar names. The witness urged that it was very difficult for an officer to check up individual cases.

2.9. The Committee desired to know whether any responsibility had been fixed for the lapse. The witness stated that there had been far too many changes in officers and it was difficult to fix responsibility on anybody.

2.10. The Committee pointed out that the claims were accumulating fast and that large amounts were involved and enquired as to how it escaped the attention of the Department. The witness stated that the only explanation that could possibly be given from the records was that the Department had depended on FACT to produce vouchers and in the absence of vouchers Government had not been making payment. In reply to a question, the witness stated that the arrangement with the FACT was that the verification had to be done during the first week of each month. The Company did not make any complaint against any individual officer in the matter of giving certificates. The seriousness was realised only when the amount

had accumulated to this extent. The witness further added that the Company (FACT) was not presenting their claims monthly and there was no time limit prescribed for the presentation of bills by FACT. The officers were authorised to do the verification work monthly. Verification was done from time to time, before payment. In reply to a question, the witness stated that the time lag for the presentation of the bills varied from one month to six months. On being asked whether the officers had an idea of accumulation of large sums against which there were no valid certificates, the witness stated that the size of the accumulation was known only when the bills were presented to the Department and further added that in the agreement with the Company, there was no provision for the production of certificates before payment. In reply to a question, the witness stated that the entire sale proceeds were remitted by the FACT to the Government account. The challans were sent to the Department and there was no loss of interest. On being asked as to how it was ascertained that the amount remitted by the FACT was the correct amount, the witness stated that an officer had been appointed in the FACT to check the amounts every month on behalf of the Department. In the absence of any adverse report, it had to be presumed that the accounts were correct. In reply to a question, the witness stated that according to that arrangement, the Department made a random check and the officer posted in the FACT was specially made responsible for the verification of certificates.

2.11. In reply to a further question, the witness stated that the Department found it difficult to ensure that the purpose for which the distribution charges were met by the Government was fulfilled and that the cultivators were actually benefited. On being asked whether the present check was sufficient, the witness stated that the Department had not received any complaint from the cultivators so far. In reply to a question, the witness agreed that there was scope for improvement in the present system.

2.12. The Committee desired to know whether the work regarding the distribution of fertilisers had been entrusted to co-operative societies or the private agencies. The witness stated that in the beginning, the FACT were not giving preference to co-operative societies. Now about a third of the retailers were co-operative societies.

2.13. The Committee feel that in this case there has been laxity on the part of the Department in the verification of the accounts with the result that there were lapses throughout the period 1954 to 1958 as admitted in evidence. The Committee find no justification for allowing the claims to accumulate, nor do they understand how large

amounts of claims could remain unnoticed for such a long period of time. The Committee were informed in evidence that there were far too many changes in the officers concerned and hence it was difficult to fix responsibility. They would, however, desire the Department to take suitable steps so that such lapses do not recur.

2.14. The Committee are also not happy with the present system of verification of the distribution of the fertilisers, as under it, it is not ensured that the fertilisers are distributed to *bonafide* cultivators. The issue of certificates by the Agricultural Extension Officers after going through the list of names of persons to whom fertilisers have been claimed to have been distributed can hardly be called foolproof. In the opinion of the Committee it is the responsibility of Government to ensure that the fertilisers are distributed to *bonafide* cultivators, as they meet the distribution charges. With that end in view the system should be improved.

Extra expenditure on block works entrusted to beneficiaries—para 57, page 62.

2.15. According to Government orders issued in February, 1963 "Community Development Works" executed through the beneficiaries at the estimate rates should not contain any provision for contractor's profit. However, the estimates prepared by the Public Works Department in respect of 7 works entrusted to the beneficiaries in the Tribal Development Block, Attappady, during 1963-64, included provision for 10 per cent contractor's profit and consequently an extra expenditure of about Rs. 18,350 was incurred.

2.16. The Block Development Officer stated (June, 1965) that administrative sanction was accorded under the *bona-fide* belief that no contractor's profit had been added in the estimates and that it was not possible to check this as only abstracts of estimates were communicated by the Public Works Department. It was further stated that as the payments were made according to the rates included in the agreements, no recovery was possible.

Government stated (December, 1965) that the question of fixing liability for the extra expenditure was being examined in consultation with the Collector.

2.17. The Committee desired to know whether the responsibility for the extra expenditure had since been fixed in this case. The Agricultural Production Commissioner stated that by mistake contractor's profit was included in the estimate and payment was made.

Thus there had been over expenditure to the tune of Rs. 18,000. "On verification, it was found that no extra payments had been made elsewhere." The Committee drew attention of the witness to the fact that some more cases had since been reported to Audit by certain Block Development Officers. The witness stated that there were eight items which were proposed to be undertaken under the Attappady Development Scheme. Public Works Department which was the agency to execute the work had prepared the estimate and had asked the Tribal Development Officer to arrange for the execution of the work. The Executive Engineer had prepared only an abstract and it did not contain itemwise figures. The Tribal Development Officer thought that it was the cost of the work and had made the payment. In reply to a question, the witness stated that the person who did the work on behalf of the nominees got the benefit of the amount. On being asked as to what benefit the contractor would get if the work was done by him at the cost price, the witness stated that the contractor would not get any profit, but would have the satisfaction of having done something for the locality. In reply to a question, the witness agreed that in this particular case, the contractor got the benefit of Rs. 18,350. On being pointed out that the beneficiaries in that area did not get any benefit, the witness stated that the beneficiaries get the work done for their locality in which they were interested. In reply to a question, the witness stated that no tenders were invited in so far as the Tribal Development Blocks were concerned. In reply to a further question, the witness stated that tribals lived in Attappady valley. Only very recently, the area was opened to outsiders. The Works undertaken in the area were generally for the benefit of tribals who were disorganised. The Tribal Development Officer entrusted the work to a Committee of the beneficiaries or to a nominee of the beneficiaries.

2.18. The Committee desired to know whether any steps were taken to recover the excess amount from the contractor. The witness stated that there was an agreement and the contractor was bound to have full payment. Therefore, no effort was made to recover the amount. The only thing that was being done was to fix the responsibility. It was the Public Works Department Officers who had made the estimate, but who exactly was the officer concerned, whether the Executive Engineer or the Assistant Engineer, had not been located. The witness further added that the question of fixing responsibility was taken up in December, 1965. All the files had been received from the District Collector and the question was under consideration. In reply to a question, the witness admitted that there had been some delay in taking action.

2.19. The Committee desired to be furnished with a detailed note showing the number of similar cases of excess payment (referred to in the Audit para) if any*.

2.20. The Committee regret to note that even though Government's orders issued in February, 1963 specified that the estimate rates for "Community Development Works" executed through the beneficiaries should not contain any provision for contractor's profit, a sum of Rs. 18,350 was paid to the contractor as profit as the estimates prepared contained the element of profit in this case. The Committee see no reason why in such a case the estimates prepared by the Executive Engineer did not contain the item-wise figures. The Committee also fail to understand why it is not possible to locate who was the officer responsible for this mistake. The Committee deprecate such delays in fixing responsibility, and desire that it should be done in this case without further delay.

Scheme for the Welfare of Scheduled Castes/Tribes and Other Backward Classes—para 59, page 63.

2.21. During the period 1956-57 to 1963-64, Government incurred an expenditure of Rs. 5,13.60 lakhs on schemes for the welfare of Scheduled Castes/Tribes and Other Backward Classes. The total assistance (grant) received from the Central Government for the scheme during the period aggregated Rs. 2,28.40 lakhs.

Certain irregularities noticed in the establishment of colonies for Harijans, in the payment of grants-in-aid to Harijans and in the construction of houses, etc., were mentioned in the Audit Report, 1960 and those for 1963, 1964 and 1965. The State Public Accounts Committee was informed by Government in July, 1961 that the former Head of the Department had been placed under suspension and was being proceeded against; the final action in the matter was stated to be under consideration of Government (August, 1965).

2.22. The Committee desired to know whether any appraisal had been made to ascertain as to how far the scheme had benefited the Scheduled Castes/Tribes. The Agricultural Production Commissioner stated that evaluation had been done for 1961-62. The Committee desired to be furnished with a copy of the report of the Evaluation Committee on the welfare of scheduled castes/tribes published by the Revenue Department in 1963. This has been furnished.

2.23. The Committee enquired whether any performance report had been sent to the Government of India in respect of the Tribal

*The note has since been received (Appendix XX).

Welfare Schemes undertaken by the Department. The witness stated that the Department was sending periodical reports monthly as well as half-yearly in respect of the schemes. On being asked as to how performance reports were being sent when there was no assessment at any time except in 1961, the witness stated that the reports represented the progress in expenditure and in physical targets, and it was based on the reports of the District Welfare Officers. The Joint Secretary, Ministry of Finance, Government of India stated that welfare schemes were of two classes—centrally sponsored and others included in the State Plans. On the State Plan side, the performance reports were only financial in character. In respect of the centrally sponsored schemes which constituted the bulk of the welfare schemes, the performance reports ought to be financial as well as physical.

2.24. The Committee desired to be furnished with further information on the following points.

- (1) were the State Government required to send to the Government of India periodically any performance reports in respect of these schemes;
- (2) whether such reports were sent regularly; and
- (3) a copy of the report of the District Welfare Officer.

The information is at Appendix—XXI.

2.25 The Committee desired to know the basis on which and the agency which prepared the schemes. The Agricultural Production Commissioner stated that the Director of Harijan Welfare prepared the schemes and there was also a Study Group. In reply to a question, the witness stated that the Director of Harijan Welfare collected the details from the District Welfare Officers and Taluk Welfare Officers. Every item was discussed at the collectorate by the District Development Committee which would be afterwards looked into by the State Advisory Committee.

2.26. The Committee drew the attention of the witness to the Audit para and desired to know the reasons for the delay of more than four years in finalisation of the disciplinary case against the former Head of the Department. The witness stated that the report of the Tribunal had been received by the Government on the 31st December, 1965. The report had been examined by the Government who had also determined provisional punishment to be given. The matter had been taken up with the Public Service Commission for their concurrence.

2.27. The Committee desired to know the specific charges against the officer. The witness stated that one of the charges related to the claim of false T.A. The other charges related to some irregular appointments, promotion and award of contracts against rules. There were actually 12 charges. Some of the charges were very serious and some were less serious.

2.28. The Committee desired to be furnished with further information on the following points:—

- (1) what were the charges against the officer placed under suspension;
- (2) brief note on the findings of the Tribunal;
- (3) detailed note on the action taken against the officer.

Notes have been furnished (Appendix XXII).

2.29. The Committee further desired to know whether any officers were associated with the Director of Harijan Welfare and whether they were also responsible for such irregularities. The witness stated that under the set up the head of the Department was called the Director of Harijan Welfare and there were district officers who were called District Welfare Officers. The actual implementation of the work was being done by the District Welfare Officers and at the Head quarters by the Director of Harijan Welfare. The Director of Harijan Welfare was assisted by two deputies, one for Tribal Development and the other for Scheduled Castes. The witness added that after enquiry the responsibility was fixed on the Head of the Department. In reply to a question, the Committee were informed that on receipt of certain allegations against the Head of the Department steps were taken against him. Action was not taken against the officer on the basis of the Audit Report, 1960.

2.30. The Committee were further informed that some subordinate officers of the Department found responsible for embezzlement had been punished and some of them had been dismissed.

2.31. The Committee desired to be furnished with further information on the following points:

- (1) Whether there were any other cases of mis-appropriation and embezzlement. List of officers and the action taken against them. (Appendix XXIII).
- (2) A detailed note showing action taken by the Government on the Audit comments brought out in the Audit Reports (from 1963 onwards).

2.32. The Committee regret to note that the information is still awaited.

2.33. In reply to a question, the Director of Harijan Welfare stated that officers belonging to the scheduled castes were only at the District level. In that connection the Committee desired to be furnished with a note showing the percentage of staff belonging to scheduled castes/tribes at various levels (State, District level etc.) This has been furnished (Appendix XXIV).

2.34. On being pointed out that large amounts had been given by Government of India year after year but no information was available with them to assess the progress of the schemes, the Joint Secretary, Ministry of Finance, Government of India stated that now there were arrangements to look into the State P.A.C. Reports. Issues were taken up with the State Governments and their remarks were obtained.

2.35. The Committee desired to be furnished with further information on the following points:

- (1) What were the main welfare schemes undertaken by the State Government and what was the total expenditure on each of these and how far these have been implemented.
- (2) Have the Government made an appraisal of the schemes to ascertain how far the scheduled castes and tribes have been benefited by them and how far these benefits were commensurate with the expenditure incurred by the Government.
- (3) How does the actual expenditure during the period 1956-57 to 1964-65 compare with the total amounts provided for in the State budget during these years. (Appendix XXV).
- (4) A detailed information for the last four years showing:
 - (i) number of hostels constructed for boys and girls;
 - (ii) number of houses constructed.

2.36. The Committee regret to note that the information is still awaited.

2.37. The Committee were informed during evidence that the performance report in respect of the Centrally sponsored schemes for the welfare of Scheduled Castes/Tribes and other Backward classes ought to be both financial as well as physical so as to give a

correct picture to the Government of India. The Committee would like the Ministry of Finance, Government of India, to ensure that this procedure is invariably followed.

2.38. As out of an expenditure of Rs. 5,13.60 lakhs incurred during the period 1956-57 to 1963-64 on the scheme for the welfare of Scheduled Castes/Tribes and other backward classes, the total assistance (grant) received from the Central Government by the State Government aggregated Rs. 2,28.40 lakhs, the Committee feel that the Ministry of Finance, Government of India should as a regular measure make arrangements for scrutinising the Audit Reports as well as the Reports of the State Public Accounts Committee concerning these matters and take remedial measures promptly.

2.39. As regards the disciplinary case against the former head of the Department the Committee have been informed that as the officer had a permanent lien in the Judiciary, the High Court had to be consulted (June, 1966) and the reply received from the High Court (in August, 1966) was under consideration of Government. The Committee would like the Government of Kerala to finalise this case without further delay. In this connection the Committee would like to point out that there has been considerable delay in taking action in this case. According to the note furnished to the Committee, on receipt of the reports of the Tribunal, they were considered on 19th August, 1963 by the then Home Minister. A provisional decision regarding the punishment to be imposed was then taken. But the next action taken was only in June, 1966 when the High Court was consulted. Therefore, it appears that no action was taken for a period of about 3 years. This matter should therefore be looked into.

2.40. As the Government is spending large sums of money on the scheme it should be ensured that a careful watch is kept over the implementation of the orders issued by Government of Kerala on the recommendation of the Evaluation Committee.

(a) *Model welfare centres and other training centres.*

2.41. There were 96 training centres imparting training to Scheduled Caste and Scheduled Tribe students in weaving, tailoring, rattan, carpentry, etc. A stipend of Rs. 25 p.m. is paid to each of these trainees.

2.42. Out of 2,840 persons admitted to the training upto December, 1964 in 7 districts (excluding 2 institutions for which information is awaited) 741 trainees left the course in the middle. In 580 of these cases (details awaited for the balance), the stipend paid

amounted to Rs. 1,25,941. The following points were also noticed in this connection:—

- (i) There is no provision in the rules for execution of bonds by trainees to enable the recovery of stipends being made from those who leave the course in the middle.
- (ii) Only a very small proportion of trainees (60 out of 1,044 trainees about whom details were available) continued the trade/craft and are reported to have made use of their training. This was attributed mainly to financial exigencies coming in the way.
- (iii) According to information furnished in respect of 38 institutions in 4 districts a large number of finished goods (value: Rs. 0.47 lakh) manufactured during 1962-63 and earlier years, dating back to 1958, were pending for disposal (July, 1965).

2.43. The Committee desired to know whether the Government had conducted an enquiry to ascertain as to why many trainees left the course incomplete. The Director of Harijan Welfare informed the Committee that main reason was that a stipend of Rs. 25 paid to each of these trainees was too small for their own livelihood. So when the trainees found better employment, they went for that job. He stated further that this question was considered very deeply by Government. There was no use in taking a bond from the scheduled caste members because they would not be able to fulfill it. The witness added that the question regarding the enhancement of stipend to these trainees was under the consideration of the Government. As regards payment of stipend the payment was made every month without delay and there was no complaint so far. In reply to a question, the witness stated that the trainees were given different kinds of training namely, carpentry, weaving, rattan work etc., and the training centres were started round-about 1958-59. On being asked about the number of trainees in the centres, the Agricultural Production Commissioner stated that till March, 1965, there were 4,559 students for training out of which 986 students had left the institution before completing the training course. In reply to a question, the Director of Harijan Welfare stated that about 3,600 students completed the training and got private employment. The witness further added that now there was a scheme to assist the students under which they were given assistance at the rate of Rs. 100 to Rs. 300 to purchase tools and necessary materials. The scheme was started only last year and during that year assistance to 36 persons had been given.

2.44. The Committee enquired whether any survey had been conducted to ensure that the training was of some use to the persons. The witness stated that a Committee had been formed last year and it had gone into that question very deeply. In reply to a question, the witness stated that the terms of reference of the Committee were to make appropriate recommendations regarding the measures to impart useful training to maximum number of harijans with minimum cost and measures to rehabilitate the successful trainees to the best advantage at the minimum cost. That Committee had just sent a report which would be submitted to the Government with a week or so.

2.45. In reply to a question, the Director of Harijan Welfare stated that the training centres were located at places where there were large number of scheduled castes/tribes. The minimum qualification required for selection in these training centres was the ability of the trainee to read and write. The Department had also appointed welfare-cum-teachers to impart further education. These people were not in a position to learn any jobs other than those followed by their community. It was thought that the centres were useful in villages where the trainees could get employment. The candidates were selected by a Committee consisting of non-officials. Certificates to the effect that they belonged to scheduled castes were produced by them.

2.46. The Committee pointed out that only a very small proportion of the trainees namely 60 out of 1044 trainees were stated to have made use of the training and had continued the trade/craft and enquired as to how far the training imparted was useful to the trainees. The witness stated that the Department did not contact all those people after they had left the centres. There was no obligation on the part of the students to report to the Department. There was a record which showed particulars of those students who had reported. There was no prescribed procedure. Some of the instructors who were interested would gather the information. The figure shown in the Audit Report might not give the complete picture. The Committee desired to be furnished with a note showing as to how many persons after training got employment.

2.47. The Committee then pointed out that a large number of finished goods (value Rs. 47 thousand) manufactured between 1958 and 1963 were pending disposal and desired to know the steps that were taken for their disposal. The Director of Harijan Welfare stated that the goods were items of furniture such as benches, tables, stools etc. Since these articles were made by the trainees,

they were of inferior quality. These articles were now being purchased for Government purposes. Government had issued orders to the effect that if the articles remained for more than three years, these articles could be disposed of in public auction. The cost of the finished articles as on 1st September, 1966 was Rs. 1,20,639.

2.48. The Committee have been informed in a written note (Appendix XXVI) that up-to-date and correct information regarding the number of trainees who have secured jobs is difficult to be collected. There is no machinery in the Deptt. of Harijan Welfare to collect the details of ex-trainees who have secured employment. The Committee regret to note this as it is not possible to assess the real achievements of the training given without such statistics.

2.49. The Committee are of the view that the reason why many trainees left the course without completing it may be ascribed to the meagre amount of stipend paid. Since the Government of Kerala seems to be conscious of these factors, the Committee hope that early steps would be taken to review the position and to make the scheme more fruitful.

2.50. The Committee further desire that since the cost of finished articles made by the trainees had gone upto Rs. 120,639, steps should be taken early to dispose them of.

(b) *Idle staff* ..

2.51. Poultry runs and birds had not been provided in 10 out of 18 centres; nevertheless one Poultry Assistant was posted during 1958 and 1959 in each of these centres; the expenditure on pay and allowances of the Assistants in 8 of the 10 centres upto August, 1963 (when they were relieved) amounted to Rs. 44,261; information regarding the remaining 2 centres is awaited.

2.52. Explaining the position regarding expenditure on Poultry Assistants, the Director of Harijan Welfare stated that seven Poultry Assistants were still continuing and had not been relieved. They had to be given some training before they were posted as Live Stock Assistants. In reply to a question, the Agricultural Production Commissioner stated that the seven Poultry Assistants were selected by the Public Service Commission and they had put in 7 or 8 years of service. The Department were trying to transfer them to the Animal Husbandry Department as Live Stock Assistants after giving some training.

2.53. While the Committee are glad to know that efforts are being made to utilise suitably the services of the Poultry Assistants

elsewhere, they would like to point out that the initial posting of the officials was made without proper planning with the result that an infructuous expenditure of about Rs. 44,000 had to be incurred,

(c) *Payment of grants in excess of requirements and their deposit in banks outside the Consolidated Fund.*

2.54. Grants aggregating Rs. 13.46 lakhs were paid during 1956-57 to 1963-64 to co-operative societies for purchase of seeds and fertilisers, issue of short-term and long-term loans to members, etc. The amounts were deposited in the names of the societies in co-operative banks or Treasury Savings Bank accounts, to be withdrawn according to necessity by the societies with the permission of the department. No time limit was fixed for utilisation of the grants with the result that large unutilised amounts were retained (December, 1964) outside the Consolidated Fund of the State. The grants disbursed during 1962-63 and earlier years which remained unutilised in such bank accounts amounted to about Rs. 4.14 lakhs (December, 1964). Some of these date back to 1956-57.

2.55. Explaining the position in this case, the Agricultural Production Commissioner stated that the amounts were given as grants-in-aid towards working capital. According to the rules of the Cooperative Society, the amounts were to be deposited in banks. Delay in preparing some schemes was the reason for the amount being kept in the bank. On being asked as to why the amount was kept outside the Consolidated Fund, the Director of Harijan Welfare stated that the grant was given for purposes of working capital and added that the amount was kept in the bank to be withdrawn as and when required. The Department had a responsibility to see that the amount was properly utilised.

2.56. In reply to a question, the witness stated that as far as Harijan Cooperative Societies were concerned, grants were given towards working capital. On being pointed out that the Department could have purchased shares in the Society, the Joint Secretary, Ministry of Finance stated that the grant was given as working capital only to help the Cooperative Society which was a deliberate decision. He added that payment of amount in these cases was "probably being done only to avoid lapse of grant".

2.57. In reply to a question, the Director of Harijan Welfare stated that immediately after the schemes were prepared, the Co-operative Societies were allowed to draw the money and the control was exercised by the District Officer. In reply to further question, the witness stated that there was no condition that the amount would revert to the Government when a Society ceased to function.

The sum of Rs. 13½ lakhs was given in all districts, to about 120 Societies.

2.58. The Committee regret that a note showing as to what was the exact purpose for which the loans/grants were given, required to be submitted through the Ministry of Finance, Government of India is still awaited.

2.59. In reply to a question, the Finance Secretary stated that these grants were reckoned as expenditure on welfare measures for the backward classes for claiming assistance from the Government of India.

2.60. The Committee pointed out that according to Audit, repayment of loans by the members of the societies were not credited to replenish the withdrawals from the Bank and desired to know whether the amounts had been recovered and credited by the Societies separately and utilised for other purposes. The Director of Harijan Welfare stated that most of the societies had ceased to work, so the question of liquidating them was under consideration of the Registrar of Cooperative Societies.

2.61. The Committee desire that it should be found out whether the giving of grants to the Cooperative Society as working capital was done "only to avoid lapse of grant". If it is so, the Committee would like to point out that this practice is irregular and the Finance Department should take steps to put a stop to this practice.

(d) *Unfruitful outlay on incomplete wells.*

2.62. According to the information supplied by the department during January—March, 1965 in respect of 6 districts, the construction of 56 wells for which advances aggregating Rs. 16,905 had been paid during 1958-59 to 'Shramdan' committees and cooperative societies were incomplete. This was attributed mainly to inadequacy of funds provided for the works and water being not available at the sites.

2.63. The Committee desired to know whether the wells had since been completed by the Shramdan Committees and Cooperative Societies. The Director of Harijan Welfare stated that there were 50 incomplete wells. Out of that 29 were entrusted to 'Shramdan' Committees and the remaining to the Cooperative Societies. Some arrangements had been made to get the work completed through Block, but the Department had no funds to give. Government of India was also requested to grant funds but these were not forthcoming.

2.64. The Committee pointed out that the construction of wells was started in 1958-59, which was incomplete even in 1966. The witness stated that no contractors were forthcoming. Shramdan Committees were entrusted with the work. All these Committees as also the Cooperative Societies constituted by scheduled castes and tribes had failed to complete these works. In reply to a question, the witness stated that all wells were drinking water wells mainly intended for the locality where there were concentration of scheduled castes and scheduled tribes. In reply to a question, the Finance Secretary stated that these wells had remained incomplete for want of funds, but the Department could surely provide funds for the construction of the remaining incomplete wells.

2.65. The Committee desired to know the amount spent by the Public Health Department in regard to the provision of wells. The witness stated that usually the Harijan Welfare Department provided wells and other amenities to supplement the amenities that had been provided by others.

2.66. The Committee desired to be furnished with further information on the following points:

1. Amount spent by the Public Health Department on the construction of wells for drinking water.
2. Amount supplemented by the Harijan Welfare Department on the construction of wells.

The notes have been furnished. (Appendix XXVII).

2.67. The Committee desired to know the amounts required to construct an ordinary well. The witness stated that roughly a sum of Rs. 3,000 was required to construct a well. The Shramdan Committee was expected to collect 15 to 25 per cent. of the cost. Since they had failed, the Government would have to spend the entire amount. In reply to a question, the witness stated that the District Advisory Committee recommended the places where the Department should undertake the construction of wells.

2.68. The Committee note with regret that for want of funds 50 wells of drinking water under the scheme of welfare had not been constructed fully. The Committee do not understand why funds were not made available for meeting such essential needs of the scheduled castes/scheduled tribes and other backward classes. The Committee find from the details furnished that while in 1964-65 the Public Health Engineering Department provided a sum of Rs. 10,628 only for construction of wells for drinking water, in 1965-66 that Deptt. did not provide any funds for the same. In the opinion of the Committee the Public Health and Engineering Deptt. also should

share the responsibility for meeting the essential needs of drinking water for the people. . .

2.69. The Committee further desire that immediate steps should be taken to complete the incomplete wells for drinking water.

(e) *Grants for construction of houses:*

2.70. Grants aggregating Rs. 23.76 lakhs were paid upto the end of March, 1963 in 6 districts to families of Scheduled Castes and Tribes at the rate of Rs. 1,000 per family (Rs. 800 prior to 1959-60). Information regarding the remaining 3 districts is awaited. A substantial part of the expenditure has not served the purpose intended, viz., settling the poor and homeless families of Harijan, as 1,571 out of 5,097 houses for the construction of which the assistance was given remained to be completed (August, 1964) as indicated below:—

Year of sanction	No. of houses for which assistance was sanctioned	No. of incomplete houses
1956-57 . . .	300	..
1957-58 . . .	1,024	180
1958-59 . . .	734	171
1959-60 . . .	764	383
1960-61 . . .	966	373
1961-62 . . .	600	217
1962-63 . . .	709	247
TOTAL . . .	5,097	1,571

The non-completion of houses was attributed mainly to:

- (a) inadequacy of the assistance for completing the houses according to the type design approved by Government; and
- (b) mis-utilisation of the assistance by the beneficiaries in certain cases.

2.71. Explaining the position in this case, the Director of Harijan Welfare stated that out of 1,571 houses referred to in the Audit Report, 461 houses had remained unoccupied. The other houses, though incomplete were occupied by the owners. On being asked about the number of cases where funds had been mis-utilised, the witness stated that since the houses had not been completed, it

could be presumed, that the funds had been mis-utilised. In reply to a question, the witness stated that the total cost of each building was Rs. 1,000. The estimate was prepared in 1957. The question in regard to the increase in the quantum of assistance was under consideration.

2.72. The Committee feel that there is need for caution in the grant of funds for construction of houses so that there is no mis-utilisation of funds. This requires a greater degree of supervision as well as control.

2.73. In the opinion of the Committee, the maximum amount of grant admissible to an individual is inadequate and requires to be revised upward. The Committee desire that suitable steps should be taken urgently to complete the construction of incomplete houses and to see that they do not remain unoccupied.

(f) *Idle outlay:*

(i) Under a scheme for distribution of house sites to scheduled Castes/Tribe families, Government acquired, during 1956-57 to 1963-64, 913.10 acres of land (cost: Rs. 2.98 lakhs for 212.23, acres, information regarding cost of the remaining land awaited). Of these, 119.70 acres of land (cost: Rs. 0.34 lakh for 38.03 acres, information regarding cost of remaining land awaited) remained unutilised (January, 1965), this has been attributed to delay in allotment and demarcation, lack of eligible applicants and non-eviction of encroachers.

(ii) Machinery, equipment, etc., of the value of Rs. 25,984 were lying unutilised (December, 1964) as indicated below:—

Description	Cost	Remarks
	Rs.	
1. 9 out of 19 radio sets purchased during March, 1959 to December, 1960.	5,332	Electric connections were not available to operate the sets at the centres to which these were issued.
2. Poultry and bee-keeping equipment.	10,413	Lying idle in 14 centres for over a year some of them from 1959 ; poultry equipment costing Rs. 3,610 supplied to 5

Description	Cost	Remarks
	Rs.	
		centres was idle either because there were no poultry houses/runs or no birds had been supplied. In other cases the machines needed repairs .
3. 4 Circular Saws . . .	4,900	2 saws lying idle at 2 Model Welfare Centres in Quilon District from June, 1959; particulars awaited in respect of the remaining 2 saws.
4. 22 sewing machines purchased in March, 1964 and earlier.	5,339	Awaiting selection of beneficiaries or awaiting repairs replacement of missing parts, etc.

2.74. The Committee desired to know the latest position in regard to the utilisation of land. The Director of Harijan Welfare stated that the present position was that 71.60 acres had remained unutilised. In three places, the demand for houses had gone down as a result of the Kerala Land Reforms Act. The persons for whom sites were intended at the time of acquisition had got permanent ownership in their lands. Recently, Government had promulgated an ordinance prohibiting eviction.

2.75. The Committee drew the attention of the witness to the portion of the Audit para relating to idle machinery and equipment and desired to know whether the Government had enquired as to who was responsible for the supply of machinery and equipment to places where it was not needed or could not be used. The witness stated that the radios had since been ordered to be shifted to Harijan hostels where there was proper electric connection. The machinery and equipment was purchased as a part of the scheme. The witness, however, admitted that purchases could have been restricted to articles which were quite essential and useful. As regards sewing machines, the witness stated that the machines were purchased in March, 1964. Some of the machines had been distributed and now only 10 machines remained to be distributed. In reply to a question, the witness added that there were no cases of repairs.

2.76. The Committee hope that the Department will take steps to see that the balance of 71.60 acres of land is also put to use as early as possible.

2.77. The Committee trust that the Deptt. will now learn by experience and will restrict the purchase of machinery and equipment to the essential ones after satisfying themselves that they can be usefully utilised without delay.

(g) *Non-operation of an irrigation scheme:*

2.78. A lift irrigation scheme sanctioned as part of a 'Pilot Scheme' at Champakad (Kottayam District) for settlement of a Hill Tribe was completed and commissioned in August, 1963 at a cost of Rs. 42,415. The Harijan Welfare Department had not taken over the scheme for want of technical staff (August, 1965); the pumpsets are not being operated from February, 1964. The Executive Engineer stated (February, 1965) that the annual maintenance charges (Rs. 392 per acre of land benefited) were disproportionately high compared to the benefits achieved. Proposals for the proper working of the pumpsets by the Irrigation Sub-Division, Muvattupuzha were stated to be under consideration of Government (August, 1965).

2.79. The Committee desired to know the present position in regard to the working of the irrigation scheme. The Director of Harijan Welfare stated that the work had been entrusted to the P.W.D. for the irrigation of 110 acres of cultivable area and also for providing drinking water. In view of the usefulness of the scheme, the amount might not be considered as very high.

2.80. At the end, the Adviser (I) to the Governor of Kerala informed the Committee that the Government were aware of the shortcomings in the Department and had taken steps recently to solve the problems in that direction. He promised to submit a statement on the reforms that had been introduced in the Department. In that connection the Committee desired to be furnished with a detailed note showing steps taken to remove the defects and to improve the working of the Harijan Welfare Department.

2.81. The Committee are glad to be informed that in view of the usefulness of the scheme, the amount spent on the irrigation scheme might not be considered as very high. They would like to point out, however, that the scheme was prepared and commissioned without full planning.

2.82. At the instance of the Committee a detailed note showing the steps taken to remove the defects and to improve the working of the Harijan Welfare Department (as promised by Adviser-I to the Governor of Kerala) has been received and is at Appendix XXVIII.

283. The Committee had occasion to report on the irregularities in the Harijan Welfare Department in Chapter V of their 47th Report (1965-66). The Committee are glad to note the steps taken recently by the Government of Kerala to improve the working of the Department. The Committee have been informed "Government are also anxious that the working of the Department is brought upto the standard of efficiency required, so that there shall not be any room for any kind of irregularity in its working." The Committee would like the Department also to see that benefits envisaged in the scheme of welfare actually reach the scheduled castes|tribes and other backward classes for whose welfare large sums of money are being expended.

III

AGRICULTURE (FOREST) DEPARTMENT

Loss due to defective arrangements in connection with the lease of a forest area—Para 78—Pages 81-82.

3.1. An area of 546·68 acres of forest lands in Mukundapuram Taluk was leased out by the erstwhile Cochin Government to the Malayalam Plantations Limited (a private company) from 7th March, 1945 for cultivation of rubber. As per the terms of the lease deed, the company was to pay rent at the rate of Re. 1 per acre per annum for the entire area from the first year onwards till the completion of the seventh year after planting of rubber and at Rs. 3 per acre per annum from the beginning of the eighth year onwards from the date of planting of rubber.

3.2. Till June, 1965, the company had completed planting over 19·50 acres only. Rent at the rate of Rs. 3 per acre per annum was collected in respect of the 19·50 acres and at the rate of Re. 1 in respect of the balance area of 527·18 acres. Though at the instance of Audit, the department raised (July, 1963) a demand for Rs. 11,508 towards arrear rent for the period 1953 to 1963 in respect of the area not planted, the company objected to its payment on the ground that the period within which the entire area was to be planted was not stipulated in the lease deed. After negotiations with the Company, Government waived (June, 1965) recovery of this amount; the company was stated to have agreed to pay quit rent at the rate of Rs. 3 per acre per annum for the entire area from 1964 onwards. A supplemental agreement incorporating clauses for right of resumption by Government of the area left fallow by the company and other relevant conditions deemed necessary to safeguard interests of Government is yet to be executed (January, 1966).

3.3. The Committee desired to know whether it came to the notice of the Department that most of the land was lying fallow and further steps were necessary to prevail upon the lessee to plant the entire area and whether any periodical inspection was undertaken to check the progress of planting. The Agricultural Production Commissioner informed the Committee that under the terms of the agreement, the Company had to pay the rent at the rate of Re. 1 per acre per annum till the completion of the 7th year and

after that at the rate of Rs. 3 per acre for the land which was planted with rubber. There was no provision in the agreement which authorised the Government to resume the land or to claim the rent at the enhanced rate. In reply to a question, the witness stated that as suggested by the Audit Department, a sum of Rs. 11,598 was claimed towards arrear rent. On being asked whether the Audit Department was consulted at the time of waiving the demand, the witness stated that Audit was not consulted at the time of waiving the demand. The Department had consulted Law and Finance Departments.

3.4. In reply to a question, the witness stated that there was no provision in the agreement that the lands should be actually planted with rubber within a prescribed period. Plantation was to be made according to the convenience of the Company. On being asked whether there was any provision in the agreement that the Company could plant rubber according to their convenience the witness stated there was no such provision in the agreement. But the Company had made it clear in their application.

3.5. The Committee pointed out that the agreement was entered into with the Company after their application and enquired whether there was any correspondence with the Company subsequent to the agreement on this point. The witness stated that there was no correspondence with the Company. He added that according to para 4 of the agreement the Company had been given the option not only to plant rubber but also catch crops, at their option provided the nature of the crop was not in the opinion of the Conservator of Forests injurious to the soil. In the event of cultivating catch crops, the Company had to pay an extra rate of Rs. 1½ per acre. In reply to a question, the witness stated that there was no supervision by the Department to see that the terms of the agreement were properly implemented and that the land that was taken on lease was properly used. On being asked whether there any other agreements in which also there was no provision for supervision, the witness stated that this was the only lease deed of the kind where the party had been given the option to plant rubber. In all other cases the relevant clause was that from the 7th year after giving possession of the land, Government was entitled for the enhanced rate. It was not necessary in those cases to see whether the area had been planted with rubber or not.

3.6. In reply to a question, the Chief Conservator of Forests, stated that these lands cultivated under catch crops were essentially for meeting the requirements for production of fuel and for processing rubber. The areas where the Forest Department had plantations were subject to regular inspections by various cadres of officers. It was for the Department to prevent the raising of crops

which were injurious to the soil. The witness added that the Company did not plant any cash crop which was injurious to the soil.

3.7. The Committee desired to know the total amount collected in respect of all catch crops. The witness stated that the Department had collected rent at Rs. 2.50 for 29 acres and Re. 1 for the balance. The Company had also paid premium at the rate of Rs. 60 per acre. The Company had paid the entire amount from 1964 onwards for the entire area at the enhanced rates. In reply to a question, the witness stated that the Company was still in possession of the land. 19 acres had been planted with rubber, 29 acres with catch crops and the balance was lying fallow.

3.8. The Committee desired to know whether Government had considered the question of resuming the fallow land or converting the land into forest area. The witness stated that the Department had been trying since 1961 to resume the land and had also consulted the Law and Finance Departments. The position was that the Department could not compel the party to convert the land into rubber plantation or prescribe any period for conversion. Further an attempt was made to obtain a supplementary agreement which the Company had refused to execute. The Company had not agreed to any period being prescribed. The Department had found itself helpless in this regard. In reply to a question, the witness stated that sub-leasing was not permitted.

3.9. The Committee desired to know the machinery with the Department to ascertain as to how much land had been utilised. The witness stated that the annual rent collected would indicate as to how much land had been used and how much had been left fallow. The Range Officer would verify as to how much land had been cultivated and the annual demand for rent was based on his report.

3.10. The Committee regret to note that no specific provision was made in the agreement that the land leased out to the Company should be planted with rubber within a prescribed period. Further, when there was no provision in the agreement that the Company could plant rubber according to their convenience, the Committee do not understand how far it was in order for the Government to agree to the condition of the company to plant rubber in the areas as and when it was convenient to them, after having leased out the land mainly for rubber plantation, especially when it was laid down in all other cases that from the 7th year after giving possession of land Govt. was entitled for enhanced rate.

3.11. Another unfortunate aspect of this case was that there was no departmental supervision to see that the terms of the agreement were properly implemented.

3.12. The Committee are surprised to find that the lease deed was executed in 1945 and till 1966 (a period of 21 years) the lessee had planted rubber in 19 acres, catch crops in 29 acres and the rest of the land (498.68 acres) remained fallow. The Department could not do anything in the matter as the land was in possession of the lessee. The Deptt. only hoped that he would convert the land into rubber plantation as early as possible.

3.13. The Committee suggest that efforts should be made in consultation with the Law and Finance Deptts. to find a solution to this problem with a view to ensure that the rest of the fallow land (498.68 acres) is also effectively utilised.

IV

EDUCATION DEPARTMENT

Ex-gratia Payment—Para 28—Page 40

4.1. The work of construction of Tagore Centenary Theatre at Trivandrum was entrusted to a contractor in November, 1960 with the stipulation to complete it by 27th October, 1961. Due to frequent changes made by the department in the design and owing to delay in handing over the site completely to the contractor (it was handed over completely by July, 1961) he represented to Government in August, 1961, December, 1961 and April, 1962 that he should be given 25 per cent increase in rates to compensate him for the rise in cost of labour and materials. Government sanctioned in September, 1963 an *ad hoc* increase of 20 per cent over the agreed rates on the ground that the departmental schedule of rates for labour and materials had been revised from October, 1961 and December, 1961 respectively; the *ex-gratia* payment amounted to Rs. 35,836 upto October, 1965. This included Rs. 4,529 in respect of work done before October, 1961; since the departmental schedule of rates for labour was revised only from October, 1961 the justification for this payment is not clear.

4.2. The original estimate of the work, Rs. 9.28 lakhs, has been revised to Rs. 14 lakhs; the revised estimate is awaiting approval of the Chief Engineer.

4.3. Explaining the position, the Secretary, Education Department stated that the case related to the *ex-gratia* payment sanctioned to the contractor for the construction of the Tagore Centenary Theatre. The payment had to be made because Government could not create in time the necessary facilities for starting the work. There was a stipulation in the agreement that the site for the construction of the Theatre would be made available by the Government to the contractor. The contractor could not start the work in time because the site earmarked for the construction of the Theatre was under the Forest Department which was entirely covered by the forest timber and the site could not be made available. The work could not be completed in time because of certain other factors also such as, the change in the structure etc. The contractor had put in a request stating that as the site was not made available in time by the Government, there was delay in the construction of the building, and the

price of the materials had in the mean time gone up. The Government was anxious to see that the building was completed during the centenary period. The contractor was asked to carry on the work and in the meantime the petition also came from the contractor and the matter dragged on for sometime. The Chief Engineer had also found that the cost of the materials had gone up considerably and had reported to the Government that the schedule of rates should be revised. This came up for consideration and it was found that the cost of materials had gone up by 30 to 40 per cent. All these aspects were considered by the Government. On repeated representations from the contractor after August, 1961, Government enhanced the rates by 20 per cent to compensate the contractor for the rise in the cost of materials. The Departmental schedule of rates was also revised from October, 1961 and December, 1961.

4.4. The Committee pointed out that according to the original contract, the contractor was to have completed the work within a year but it was not so completed and enquired whether any action was taken against the contractor. The witness stated that there were certain alterations after the contract was entered into and the Department also did not have enough experience in the art of construction of Theatres. In reply to a question, the witness stated that the Chief Architect was personally incharge of the work. But all the same the particular item of work was very complicated and the Chief Architect had himself reported the fact to the Government at the beginning. The Chief Architect had given an estimate to the Government and according to that the work was started. During the course of implementation he had reported that certain alterations were necessary which were of a very intricate nature. On being asked as to why no action was taken against the contractor for the delay the witness stated that there was some delay on the part of the Government in handing over the site to the contractor, and also there were some difficulties in getting the materials. As such the Department did not take any action against the contractor. On being asked whether any analysis was made to find out the extent of delay on the part of the contractor, the witness stated that no analysis was made. There was heavy monsoon and the contractor was not able to carry on the work. Further, there was the cement shortage. The Government were aware of the position and thought that it was not proper to take steps to recover any amount as compensation. In reply to a question, the Chief Engineer (B & R) stated that the contractor should have started the work in November, 1960. Since the land was not ready for starting the work on account of the difficulty in removing the timber he had asked for more increased rates. The question was decided by the Government only in September, 1962 and the

contractor was asked to proceed with the work. The fault was not solely on the part of the contractor. On being asked about the action taken, if there was delay on the part of the contractor, the witness stated that if there was delay on the part of the contractor, the contractor should have been either penalised or the agreement closed with him. But in the present case, the contractor had pleaded delay on the part of the Government also. In reply to a question, the Secretary, Education Department stated that the Contractor had started the work earlier than September, 1962. He had put in his application while he was continuing the work. Since his request for increased rates was pending decision, he did not think of completing the work within the prescribed time limit.

4.5. The Committee desired to know the reasons for the revision in the estimates. The Chief Engineer stated that certain additional items such as decoration, stage arrangements and equipments which were not actually the part of the original estimate were included. On being asked about the final cost incurred on the construction of the Theatre, the Secretary, Education Department stated that the original estimate was Rs. 9.28 lakhs which was later on revised to Rs. 14 lakhs. Since the payment had not been completed, the Department was not in a position to say as to what would be the final cost of the building. Roughly, the final cost would be about Rs. 16 lakhs. In reply to a question, the witness stated that Rs 2½ lakhs was received from the Government of India. Originally, it was thought that the expenditure would be met by the State Government and the Government of India on a fifty-fifty basis. But the Government of India had stated that if the estimate was very high, the State Government should meet the expenditure. On being asked about the recurring expenditure, the witness stated that the recurring expenditure was less than Rs. 15,000 per year. As regards income, the witness stated that the rate for each performance had been prescribed. The income would be somewhere near Rs. 6,000. So far collections were limited, it was expected that the collections would go up.

4.6. The Committee desired to be furnished with further information on the following points:—

- (1) Detailed note explaining the reasons for giving 20 per cent increase in rates.

- (2) Why no compensation was claimed from the contractor.
- (3) Whether there were any other cases in other Departments of the Government of Kerala where enhanced rates were given to the contractors for the delay on the part of the Government.

The information furnished by the Education Department of the Kerala Government is at Appendix XXIX.

4.7. The Committee are of the opinion that the case indicates lack of proper planning on the part of the Department in awarding this contract and laxity in supervision over its execution. In the detailed note furnished by the Department it has been stated that the work was awarded to the contractor on 27th October, 1960 indicating the date of completion as 27th October, 1961. By 12th December, 1960 the site of the building proper was got cleared and the work was started. The entire site was cleared of forest logs only by May, 1961. Due to continuous rain and shortage of cement, there was delay of about 2 to 3 months in the initial stages which had to be attributed to the Government. Further there was also some delay in finalising the detailed design which was completed and finalised by 18th July, 1961. It has further been stated that the contractor took up an attitude of slowing down the work and wanted definite orders regarding enhanced rates to be allowed. All this, it is contended, resulted in delaying the construction of the building. The Committee therefore, feel that when the site for construction of the building was finalised the Department was aware of the logs on it and the consequent delay it would cause in making the land available to the contractor. Speedy action should have been taken to clear the site, to avoid delay in construction.

4.8. The Committee are of the opinion that the Department failed to assess the delay in construction on the part of the contractor who according to the Chief Engineer, "would not commit himself to any fixed programme and had been generally lingering on with the work". The contractor got the site completely in July in 1961. All the major structural details and designs were finalised in March, 1962 but the contractor completed the work in September, 1965. There was thus a delay of 3 years after the finalisation of the major designs etc.

4.9. As a result of delay on the part of the contractor and on the part of the Department, the original estimates of Rs. 9.28 lakhs had to be revised upwards. The Committee feel that no adequate notice of the delay on the part of the contractor was taken by the Depart-

ment. The Committee would like the Government to examine the case to see if the contractor is liable for penalty as provided in the contract for the delay in construction. The Committee are of the view that there was no justification for making an extra payment of Rs. 4,529 in respect of work done before October, 1961 when the departmental schedule of rates was first revised, and the contractor should be asked to refund this amount.

Junior Technical Schools—Para 46—Page 52.

4.10. In August, 1959 Government sanctioned the implementation of a Centrally aided scheme of establishment of Junior Technical Schools in the State. The object of the scheme was to divert students of 14 years of age from the academic type of education in secondary schools to one specially designed to condition them for different productive occupations of a technical nature. Twenty such schools were set up in the State during 1960-61 to 1963-64.

4.11. An expenditure of Rs. 1,14.14 lakhs was incurred on the scheme upto the end of March, 1965.

4.12. A factual survey of the schools by the Planning Commission during August-September, 1964 showed that in Kerala, only about 26 per cent of the students passing out of the Junior Technical Schools joined industries as against 78.6 per cent in Uttar Pradesh and 73.3 per cent in the Punjab. This indicates that the main object of the scheme has not been fulfilled in Kerala.

4.13. The Committee desired to know whether the State Government made an attempt during the period of 4 years between the date of opening of the schools and the factual survey by the Planning Commission to find out whether the trainees were actually benefited by the training imparted and whether trainees were joining industries. The Secretary, Education Department stated that no factual survey was separately conducted by the State Government. The Department was depending upon the factual survey conducted by the Centre. The witness further added that the training was very useful and the factual survey report of the Planning Commission was quite clear and it indicated the position. On being pointed out that till 1964, no survey was conducted by the Department, the witness stated that the Department had the statistics of the number of boys who went for higher education. The

Department did not officially conduct any survey, but minimum details required were available with the Department. The Department was satisfied with the Scheme. The object of the Junior Technical Schools was also to prepare students for higher education and it was not a terminal scheme. In reply to a question, the witness stated that 69 per cent of the students passed out of these institutions went for higher education and 26 per cent went for industries. Employment potential in Kerala was not of the same order as in the U.P. or Punjab. In reply to a further question, the witness stated that there was no scheme to assist the unemployed persons to get employment outside the State.

4.14. The Committee desired to know whether the nature of the training imparted in Kerala had been compared with the training imparted in U.P. and Punjab to find out the scope for improvement in the training. The Director of Technical Education stated that the training given was based on the pattern given by the Government of India. The Department had not compared the training with that given in U.P. and Punjab. There were minor adjustments to be made, but the Department was awaiting the report of the five-man committee appointed by the Government of India. The report would be circulated and on receipt the Department would forward its views to the Government of India.

4.15. In reply to a question, the witness stated that any student who passed from these schools was declared as equivalent to S.S.L.C. for purposes of recruitment in State Services and for admission in colleges, polytechnics both inside and outside the State. The witness further added that scholarships were given to 10 per cent of the strength in the class. The amount of the scholarship was Rs. 20 per month for 10 months and there was no tuition fee.

4.16. On being asked about the percentage of Scheduled Castes/Tribes students and the reservation of seats for them in the schools, the witness stated that nobody was refused a seat. All the Scheduled Caste students who applied for admission were admitted. There was also 5 per cent reservation. In reply to a question the witness stated that the Harijan Welfare Department was helping in the matter of filling up of 5 per cent seats by the Scheduled Castes/Tribes students.

4.17. On being asked about the coordination between the Junior Technical Schools and the I.T.I., the witness stated that there was coordination as far as scholarships were concerned. The Harijan Welfare Department paid the scholarships and other fees to those

students who were economically backward. The expenditure on this account was operated by the Harijan Welfare Department.

4.18. The Committee desired to be furnished with further information on the following points:—

- (1) Total number of Scheduled Castes/Tribes students in the various technical schools.
- (2) Number of Scheduled Castes/Tribes students to whom scholarships had been given.

4.19. The information had been furnished by the Education Department of Kerala Government and is at Appendix XXX.

4.20. The Committee desired to know the percentage of Central assistance. The Joint Secretary, Ministry of Finance, stated that the assistance was 50 per cent non-recurring and 50 per cent recurring.

4.21. The Committee feel that the Education Department instead of waiting for the report of the Planning Commission on the impact of the scheme, should have conducted their own independent survey to determine how far the technical training scheme benefited the students in the State.

4.22. The Committee also suggest that Government should undertake a scientific analysis to ascertain the reasons for the anomalous position brought out by the factual survey undertaken by the Planning Commission viz. that in Kerala, only about 26 per cent of the students passing out of Junior Technical Schools joined industries, as against 78.6 per cent in Uttar Pradesh and 73.3 per cent in the Punjab. Suitable remedial measures found necessary as a result of this analysis should be initiated so that the object of the scheme is fully achieved.

(i) *Infructuous outlay—Para 46, page 52.*

4.23. The construction of foundation and basement of a building for Junior Technical School, Cranganore was completed in February, 1960, long before approval of the design and estimate; when administrative sanction to an estimate for the super-structure was accorded by Government in February, 1961 a portion of the basement and foundation already constructed had to be abandoned. The cost of the abandoned work together with the dismantling charges aggregated Rs. 11,538.

4.24. The Committee desired to know whether an enquiry had been conducted into this case with a view to fixing of responsibility for the infructuous expenditure. The Secretary, Education Department stated that the construction of the foundation and basement was undertaken on the basis of an administrative sanction issued earlier on 19.2.1958. In the meanwhile the Government thought that the expenditure on the Junior Technical Schools was rather very high and wanted to reduce the expenditure as a measure of economy. It was decided to demolish some portion of the structure and further construction of the area was not taken up. The material collected from the demolished building was utilised for other purposes. The total cost of the material was Rs. 1,200. On being pointed out that according to the Audit Report, the foundation and basement was constructed long before approval of the design and estimate, the witness stated that it was not correct. The sanction was issued and the work was taken up on the basis of administrative sanction. In reply to a question, the witness admitted that if there was any incorrect statement in the Audit Report that must be corrected in time. In that connection, the Committee desired to be furnished with a note Appendix XXX showing the date on which the Audit para was received and what was the action taken thereon.

4.25. The Committee feel that the Education Department should have furnished full information to Audit about the earlier sanction for the constructions of the building of Junior Technical School when the draft para was sent for their comments. Similarly, Audit were not informed about the utilisation of machinery and equipment which the institution had purchased for the use of the students. (referred to in sub-para (ii) of the Audit paragraph).

4.26. During the course of evidence the Secretary, Education Department in reply to a question state why the Audit Report was not corrected in time, stated, "I will verify it." Similarly, in reply to a further question, the Director of Technical Education stated, "we should have corrected it. I accept responsibility for the delay."

4.27. The Committee feel that the Departments should be careful in pointing out any factual discrepancies in the draft Audit paras so that the time of the Committee is not wasted in sorting out factual discrepancies. The Committee hope that the Department would devise a system for dealing with draft Audit paragraphs so that they may be dealt with on a priority basis.

(ii) *Unutilised machinery and equipment—Para 46, page 52.*

4.28. Machinery and equipment (78 items) costing Rs. 1.30 lakhs have been lying unutilised for long periods in various schools in the

State (October, 1965). 45 items (cost: Rs. 80,194) are idle; the machinery and equipment supplied were stated to be defective. In 7 of these cases the full cost of the equipment (Rs. 23,065) has been paid to the suppliers and in the remaining cases 90 per cent (Rs. 57,129) of the cost has been paid. 22 items costing Rs. 22,079 could not be put to use owing to dearth of students or the machinery being not required in the school. 11 items costing Rs. 27,488 await the provision of required facilities such as buildings, workshop facilities, power connection, etc.

4.29. The Committee desired to know whether all the defective machinery and equipment had since been repaired or replaced by the suppliers. If not, what action had been taken or was proposed to be taken against the suppliers and what were the remedies open to the Government in terms of the agreement. The Director of Technical Education stated that all the items were not kept for a long period. 68 items were supplied on or after 1964. Only 10 items related to earlier periods. There were only two defective machines. One of the machines was fully protected by the earnest money (10 per cent of the contract). Regarding the other machine, the firm had agreed to replace it. The mistake was detected after the validity period. Only 17 machines were awaiting erection and 2 machines were defective. The witness added that the observation in the Audit Report was, therefore, incorrect. The Committee pointed out that the observation in the Audit Report should have been corrected earlier and desired to know as to how Audit objections were dealt with. The Finance Secretary stated that a circular memorandum was issued on the 15th November, 1965 in which it was explained as to how Audit objections and draft para would have to be carefully considered. The Department was looking into it again to see that even at the time when the draft para was sent to the concerned department, very careful scrutiny was made and answers were given.

4.30. The Committee desired to know whether there was any guarantee by the firm who had supplied the machinery which were found to be defected. The Director of Technical Education stated that if within 6 months, the machine was found to be defective, the firm had the responsibility to set the machine in order. Agreement had been executed with the firm. The firm had been addressed in this regard. The experts of the firm had to come to repair the machine. The witness urged that without a little delay, these things could not be completed.

431. On being asked whether any penalty had been imposed or whether any compensation had been claimed from the firm due to defects in the machine which could not be operated, the witness stated that the firm had been blacklisted both by the State Government and the Central Government. There was no clause in the agreement for imposing any penalty. On being asked as to when the payment was made to the firm, the witness stated that the payment was made after verification. In most of the cases only 90 per cent of the cost had been paid and the remaining 10 per cent had not been paid. The final payment would be made after the defects were removed.

432. The Committee feel that the Education Department should have been a little more careful while placing orders for the supply of the equipment to include a penalty clause in the contract so that it would have served as a deterrent against supply of defective machinery. The Committee would also like the Department to ensure in future that there is no time-lag in the utilisation of machinery and equipment after their receipt.

Development of Engineering College. Trivandrum—Para 47, pages 53-54.

(a) *Extra expenditure.*

433. The contract for the work 'Construction of an additional hostel-Block III' was awarded to a contractor in February, 1961, his tender being the second lowest for the work as a whole and lowest when tile roofing work which the department had decided to delete from the estimate was excluded. The contractor did not take up the work stating that he had not made arrangements for men and materials as his tender was not the lowest for the work as a whole; he demanded higher rates. The request was rejected by the department in March, 1961, but later, on a petition of the contractor Government issued orders in November, 1961 for the release of his earnest money (Rs. 5,600) and for inviting fresh tenders on the ground that the designs and specifications had been changed by the department after invitation of tenders and that there was increase in cost of material and labour during the previous one year.

434. The work was got executed at higher rates on the basis of fresh tenders invited in December, 1961, through another contractor; the extra expenditure computed with reference to the originally accepted rates amounted to about Rs. 61,000.

435. It may be mentioned in this connection that the original contract had been awarded within the validity period of the tenders

and the only change made in specification or design was substitution of the tile roofing with R.C.C. work resulting in a very small increase in the estimated value of the work from Rs. 2.17 lakhs to Rs. 2.19 lakhs. Such changes were permissible in terms of the notice inviting tenders.

4.36. The Committee desired to know whether legal opinion was obtained before the decision was taken to refund the earnest money and to relieve the contractor of his contractual obligations. The Secretary, P.W.D. stated that no legal advice was taken at that time. On being asked whether the change made in the designs and specifications was a major or a minor one the witness stated that it was only a minor change. Retendering occurred in this case because of the contractor's petition. It was seen that the Government had taken a lenient view on this matter. On being pointed out that minor changes were permissible in terms of the notice inviting tenders, the witness stated that no reasons had been recorded. The Audit para had pointed out that the change was allowed within the terms of the tender. In reply to a question, the witness stated that from the rates that were quoted for the purpose of award of the work, it was treated as a minor change. On being asked as to why the contractor was allowed to decline the acceptance of the tender, the witness stated that it was seen from the orders in the file that the contractor was not agreeable to take up the work since the labour charges and the value of materials had gone up. Originally, the contractor had applied to the Chief Engineer for the increase in rates which was not allowed by him.

4.37. In reply to a question, the witness stated that the orders in the file were the orders of the Minister. In the file it was stated that as per the petition of the contractor, there was reason for retendering had submitted the petition to the Minister on The contractor had submitted the petition to the Minister on 15th October, 1961 it was on this petition that the Minister had issued orders.

4.38. It is indeed surprising that in this case (a) even though the change in the designs or specifications was of a minor nature; (b) such minor changes were permissible in terms of the notice inviting tenders; and (c) the Chief Engineer did not allow the higher rates asked for by the contractor, orders were issued at the higher level for retendering the work and releasing the earnest money of the contractor with the result that an extra expenditure of Rs. 61,000 had to be incurred. In the opinion of the Committee, this is rather unfortunate.

(b) Purchase of defective machinery—Para 47, pages 53-54.

4.39. A milling machine costing Rs. 28,020 was purchased in April, 1964. According to the terms of supply a sum of Rs. 21,670 (representing 75 per cent of the price) was paid to the supplier in April, 1964 against the railway receipt. On opening the case in April, 1964 after taking delivery thereof from the Railway, the machine was found to be in a damaged and rusty condition. The machine has not been replaced nor repaired by the supplier firm (January, 1966).

4.40. The Committee desired to know the action taken against the supplier for the supply of a defective machine. The Director of Technical Education stated that this particular firm had supplied some equipments earlier which were satisfactory. Very recently the Company had been black-listed. The witness added that the Government pleader had been asked to take legal action against the firm as per the terms of the agreement. Orders to this effect were passed only recently. In reply to a question, the witness stated that competitive quotations were invited and then orders placed with this firm who had submitted the cheapest quotation. On being asked about the extent to which it (defective machine) had affected the students, the witness stated that only the increased facilities were not available to the students. The Committee desired to know whether a representative of the Department was sent to the firm to test the machine before its despatch. The witness stated that there was no such practice.

4.41. While the Committee are glad to know that the Company at fault in this case has been black-listed and legal action is being taken against the firm, they see no reason for the delay of more than two years in initiating action in this case. Such delays should be avoided.

4.42. The Committee also suggest that the Government may consider the feasibility of having the costly machinery and apparatus examined before these are despatched to avoid such contingency arising again. The Committee would like to be informed of the final outcome of the case in due course.

II

INDUSTRIES DEPARTMENT

Small Scale Industries Schemes—Para 48, page 54.

5.1. Certain points relating to expenditure on Small Scale Industries Units were mentioned in the Audit Report, 1963 and those of the subsequent years. It was indicated that machinery, raw materials, finished goods, etc., remained unutilised for long periods, the units were working at loss, expenditure was incurred on pay and allowances of the staff in units which were not functioning or for the periods when they did not function and cooperative societies of trainees were not formed although the scheme envisaged so.

5.2. The Public Accounts Committee in their Report of March, 1964 observed that "the failure of these units showed lack of sufficient technical knowledge and foresight on the part of those who formulated the schemes." The Committee desired that Government should make a detailed study of the working of the units and find out the reasons for their failure.

5.3. An audit review of the expenditure incurred on 8 other similar units conducted in April—June, 1965 indicated that these units were also not generally successful. There were cases where machinery and equipment had been lying unutilised for long periods, expenditure had been incurred on staff when the units did not function, the units were working at loss, etc.

5.4. The Committee desired to know whether a detailed study of the working of the units had been made in pursuance of the observations of the State Public Accounts Committee, if so, what were the results and the reasons for the failure of the units. The Special Secretary, Industries Department stated that the Government went into this question and had sent a reply to the Accountant General on 24-3-1965, in which it had been pointed out that these units were started all over India, according to the approval received from the Government for certain pattern of training and production. A working group constituted by the Government of India went into the working of these units and had come to the conclusion that these units had not been generally successful in all the States. The Working Group recommended the establishment of the production-cum-training centres to be transferred in due course to Industrial Cooperatives or private entrepreneurs. Action was being taken on that basis.

5.5. On being asked about the survey conducted by the Department in pursuance of the observation of the State Public Accounts Committee, the witness stated that these centres were started during the period 1956—58 and onwards at different places and the training imparted for one year and in some cases it was for two years. By 1962, it was found that the scheme was not successful. By that time a committee was constituted by the Government of India and they had come to the conclusion that these schemes would not work successfully. In reply to a question, the witness stated that the Department went into the recommendation of the State Public Accounts Committee and had stopped the training. The centres were not handed over to the cooperative societies because that was also found to be a failure. By going into the failure of the Scheme, it was thought that the Department might be doing probably a superfluous work in the light of the recommendation of the Working Group constituted by the Government of India in which there were also the representatives of the State.

5.6 The Committee desired to know whether any assessment regarding the financial implications of the schemes in their totality were made by the Department. The witness stated that such an assessment had not been made. Even though the Schemes were not totally successful, the Department had been able to train some people in various trades and some cooperative societies had at least been formed. Some production units transferred to the private sector, had been working fairly well. The witness added that the Scheme as such might be a failure but it had done some good in the industrial sector.

5.7 In reply to a question, the witness stated that the Scheme as such was a complete Scheme in itself. It was discontinued after an assessment by the Government of India. There was no proposal for starting any production-cum-training centres in the Fourth Five Year Plan.

5.8 The Committee desired to be furnished with further information on the following points:—

1. What was the investment and what was the loss.
2. Whether any assessment was made about the working of the units. If so, the result of such assessment.

The information furnished is at Appendix...XXXI.

5.9. The Committee desired to know the total number of small scale industries units that were functioning in the State. The witness stated that the total number of units were 43. Out of these

22 were cooperatives, 7 were run by Kerala State Small Industries Corporation, 5 were run by private parties and 6 were run by other Departments. There were 3 units with the Industries Department. In reply to a question, the witness stated that there were no complaints so far from the staff of these units regarding irregular payment of salaries. Salaries were being paid regularly.

5.10. The Committee enquired whether the recommendations (namely that small units need not be run in the public sector) of the Working Group of Small Industries appointed by the Government of India had been given effect to and if so, to what extent. The witness stated that the recommendation had been given effect to and now only 3 units remained with the Department. According to the report, the State Government Schemes had recorded good progress during the Second Plan but it might not be necessary to continue some of them. Quality marking schemes, industrial cooperatives, in service facility centres (without production) and industrial estates were to be continued during the Third Plan period. Commercial schemes, service-cum-commercial schemes, training-cum-production schemes were not to be started afresh. The existing ones were to be transferred in due course to industrial cooperatives or private entrepreneurs. Central Social Welfare Board Schemes might be run by the Board direct hereafter instead of through the State Governments.

5.11. The Committee have been informed in a written note Appendix XXXI that the total amount spent on 43 units started in the State under the Scheme is Rs. 54.77 lakhs. It has also been stated in the note that the Production-cum-Training Centres were not contemplated to run on commercial lines and 'it is practically difficult at this late stage to arrive at the figures relating to investment and loss.' It has further been stated that a Working Group on Small Scale Industries in their Report of December, 1959 observed that "the Production-cum-Training Centres which the State Governments had been running during the Second Plan period had not produced satisfactory results." Now new Small Scale Industrial Units were started during the Third Plan period and there was no proposal to start any in the Fourth Plan period also.

5.12. It is regrettable that the Scheme on which Rs. 54.77 lakhs have been spent has proved a failure. This only indicates that the Scheme was undertaken without proper planning and investigation. The Committee feel that it would have been a wiser course if the Scheme had been started as an experimental measure at one or two places only and their working results watched before extending the

Scheme to other units. In that case, a lot of infructuous expenditure could have been avoided.

Small Scale Industries Units—Para 48, page 54, Model Foot Wear Unit, Cannanore—Item I, pages 176-177. Particulars of the Unit/Scheme.

5.13. This unit was started as a production-cum-training centre in February, 1958; on completion of the training phase it was handed over to a cooperative society of the trainees in April, 1959. But in July, 1959 the unit was taken back from the society on the ground that the society was not working satisfactorily and that the transfer of the unit was premature. In September, 1959 Government revised their decision and sanctioned the handing over of the unit back to the ex-trainees. Attempts to revive the society, however, failed and the department had to run the unit themselves.

5.14. In April, 1962, Government ordered the transfer of this unit to the Prisons Department. But the latter declined to take it over with the stock of finished goods, raw materials and the working staff on the ground that these were liable to cause undue burden on them. As the Kerala State Small Industries Corporation was also not interested in taking over the unit, the transfer of the unit to private sector was stated to be under the consideration of the department in January, 1966.

5.15. Expenditure incurred upto the end of March, 1965: Rs. 1.72 lakhs, recurring and Rs. 0.12 lakh, non-recurring.

5.16. The Regional Joint Director of Industries and Commerce, Kozhikode informed Audit in May, 1964 that the unit was working at a heavy loss. The losses sustained during 1962-63 and 1963-64 have been assessed by the department at Rs. 15,287 and Rs. 10,679 respectively.

The losses were attributed mainly to:

- (a) the adoption of hand process without properly utilising the machines already installed;
- (b) poor rate of production and inferior quality of products due to the workmen, mostly ex-trainees of the unit, not having achieved proper craftsmanship;
- (c) low outturn by the daily wage workers;
- (d) absence of proper marketing facilities;
- (e) unsuitable location of the unit; and
- (f) rules of Government standing in the way of piecemeal purchase of raw materials to suit changing fashions and

fixation of sale price of finished goods on the basis of the workmanship.

5.17. The stocks of raw materials costing Rs. 17,348 and finished goods costing Rs. 5,496 as on 31st May, 1965 were stated to include many unserviceable and unsaleable items (details of such goods were not available with the department). In August, 1964 Government had ordered the sale of accumulated finished good costing Rs. 3492 at 25 per cent below the cost considering their sub-standard quality and deteriorated condition. Even so, only about 7 per cent of these could be disposed of till May, 1965. In December, 1965 Government ordered the sale of deteriorated goods in public auction; action for this was stated to be under way in January, 1966.

5.18. The stipend paid to the trainees amounted to Rs. 3,705; this could not be recovered as their responsibility to run the centre as a cooperative society ceased when once they formed the society in April, 1959.

5.19. The Committee desired to know whether any enquiry had been conducted into the losses to ascertain how for they were avoidable and whether any instructions had been issued to ensure that other units did not sustain losses on account of similar causes. The Special Secretary, Industries Department stated that the question was examined. The Technical Officer's report was called for on these specific points. The Technical Officer had stated that unit might be handed over to the private party and it was expeditiously handed over to the private sector. Similar was the case with the other remaining units. In reply to a question, the Director of Industries and Commerce stated that 12 trainees were trained before it was converted into a cooperative unit. The Special Secretary, Industries Department stated that the original scheme was to train a few people to form them as a cooperative society and to hand over the unit to them. Sometime after handing over the unit to the cooperative society, Government ordered that the unit should be brought back under the Government, because it was not working satisfactorily. After becoming a departmental unit, it began to work more satisfactorily. The Director of Industries and Commerce added that the Unit was not working properly and was not driving income when compared to the enormous amount that was invested. Close supervision could be ensured by bringing the unit under Government control. In reply to a question, the Special Secretary, Industries Department stated that the decision to bring the unit under the control of the Government was that of the Minister after discussion with the Department and there was no departmental recommendation. In reply to a further question, the witness stated that after

the issue of the order, the unit was again handed back to the cooperative society on 26-9-1959 (under President's rule) and the second change took place on the recommendation of the Department. In reply to a question, the witness stated that the 12 persons to whom the centre was handed over again were the same 12 persons who had formed the cooperative society for the first time. The workers had refused to take over the unit when it was ordered to convert the unit into a cooperative society for the second time.

5.20 The Committee pointed out that according to Audit the unit was closed down in March, 1966 and the Government had ordered its transfer to a private party and enquired whether the unit had been transferred to any private party. The Director of Industries and Commerce stated that the unit had been transferred to a private party on 12th August, 1966 under normal depreciation terms. The depreciation had been calculated only upto the period the machinery had worked.

5.21. The Committee desired to be furnished with a detailed note explaining the reasons for change in the status of the unit from time to time also with copies of the notes and orders of the Government leading to such transfer. The information furnished is at Appendix XXXII.

5.22 In reply to a question, the Joint Secretary, Ministry of Finance stated that these Schemes were started as training-cum-production schemes all over India. The units were very small but large in number and were located in rural areas. After some years it was found that these units were not working properly for a number of reasons. The arrangements for recurring expenditure was not adequate. The result was that goods produced were not of proper quality. The decision was taken to hand over the units to cooperative societies not to be run as training-cum-production centres but as commercial units.

5.23. The Committee are unable to appreciate the manner in which running of the Model Footwear Unit, Cannanore has been undertaken. Its management went on changing hands—from Government to Cooperative Society and back to Government; then to the ex-trainees and again back to Government. In evidence it was stated that it had been handed over to a private party on 12th August, 1966. In the written note furnished (Appendix XXXII) it has been stated that on 16th September, 1966 Government ordered to resume the Unit from the Private Company. The reasons advanced in the written note furnished to the Committee for such frequent changes do not appear to the Committee to be convincing. Moreover, there are conflicting views as to whether the Unit was running satisfactorily or

not in the middle of 1959. The receipts and losses of the Unit also show that the Unit had always been running at a loss, frequent changes in management notwithstanding.

5.24. In the opinion of the Committee this whole case indicates the careless and negligent manner in which the Department has been dealing with this case.

Tool Room Workshop, Pappanamcode, Trivandrum—Item 4, page 170

5.25. The unit was sanctioned by Government in July, 1961 to meet the growing demand for improved tools, jigs, fixtures, etc., from small scale industrialists. Expenditure incurred upto the end of March, 1965: Rs. 0.10 lakh, recurring and Rs. 1.65 lakhs, non-recurring.

5.26. The unit was scheduled to start functioning during 1962-63 in one of the buildings in the Industrial Estate at Pappanamcode which fell vacant in February, 1962. But the Kerala State Small Industries Corporation to whom the Estate was transferred in July, 1962 on an agency basis (c.f. paragraph 33 of the Audit Report, 1964) allotted the building to a private party in December, 1962. Government then had to find alternative accommodation by expanding the Estate to provide an additional shed at a cost of Rs. 1 lakh. The construction of the building was completed in January, 1964; but power connection was given in November, 1965 only. Still, the unit had not started functioning and this was attributed to non-availability of the required supply of power due to power cut (December, 1965).

5.27. Machinery and equipment costing Rs. 1.65 lakhs purchased during November, 1962 to March, 1965 are lying unutilised. An expenditure of Rs. 9,509 has been incurred upto the end of March, 1965 on the pay and allowances of staff employed from various dates from March, 1963.

5.28. Explaining the reasons for the delay in the purchase of machinery, the Special Secretary, Industries Department stated that the scheme for starting a Tool Room unit at Pappanamcode in 1962-63 was sanctioned by the Government on 21st July, 1961. Tenders for the purchase of machinery were invited and recommendations were made to the Government on 28th July, 1962. In the order dated 1st September, 1962, Government had sanctioned the purchase of machinery subject to the condition that no financial commitment was made until specific administrative sanction covering the whole amount for the purchase was obtained from Government. Orders for the purchase of the machinery were placed on 6th September, 1962 on the basis of the administrative sanction of the Government given on 21st

July, 1961 in anticipation of the approval of the Government. As there was rate contract for certain items of machinery, the Stores Purchase Department was addressed on 19th June, 1962 for details and the details were received on 11th July, 1962. Hindustan Machine Tools was addressed on 6th August, 1962 for price details and detailed specifications. Orders for drilling machine under rate contract had to be placed and the Government had contacted the D.G.S. & D. to verify the period of rate contract on 16th December, 1963. On 22nd February, 1964, the Department was informed that the rate contract for lathes was valid upto 14th April, 1964. On 25th March, 1964 Stores Purchase Department was requested to place orders with the D.G.S. & D., but were informed that D.G.S. & D. alone could operate the rate contract. Indents were placed with D.G.S. & D. in the prescribed form on 13th April, 1964 for the radial drilling machine.

5.29. The Committee pointed out that the orders were placed on 13th April, 1964 and enquired the basis on which the Director of Industries and Commerce had allotted the building to a private party. The Director of Industries and Commerce stated that there was no record on the file to show that the Director of Industries and Commerce had allotted the shed after obtaining prior consent. It was seen that the Kerala State Small Industries Corporation had allotted the shed to a private party. On being asked as to why a building which was constructed for a particular purpose was allotted to a private party, the witness stated that the shed which had been given to a private party was not constructed for a particular purpose. It was proposed to have the unit in a special type shed in Pappanamcode Industrial Estate. The Managing Director, Kerala State Small Industries Corporation was requested on 15th October, 1962 to allot a special type shed for the scheme. The shed which was formerly occupied by the private party was proposed to be taken over for this purpose. Orders for the purchase of small items of machinery were placed only in September, 1962. Orders for the purchase of other items on rate contract were still to be placed. Since there was a private party ready to take over the vacant shed immediately, presumably in order to avoid loss of rent, the shed was allotted to the private party.

5.30. The Committee have been furnished, at their instance, with a note showing the basis on which the decision was taken to allot the building to a private party and construct a new building for the requirement of the Government (Appendix XXXIII).

5.31. It appears to the Committee from the notes furnished that the request of the Department for this shed made on 9th July, 1962 and again on 15th October, 1962 was overlooked by the Kerala State

Small Industries Corporation and the shed allotted to the private party on 1st November, 1962. The reason advanced for this action does not appear to the Committee to be convincing. It is also surprising that the Government was not kept informed of the decision to allot the building to a private party. The Committee desire that the matter should be properly inquired into with a view to fixing responsibility for this lapse.

Loans to the Cochin Mahalakshmi Cotton Mills, Trichur—Para 85—pages 91-92.

5.32. Mention was made in paragraph 17 of the Appropriation Accounts, 1957-58 and the Audit Report, 1959 of certain irregularities in the administration of the Cochin Mahalakshmi Cotton Mills, Trichur. The Company was wound up in April, 1957; the amount of Government loans and interest then outstanding recovery from the Mills was Rs. 4,00,692 (principal: Rs. 3,49,820 and interest: Rs. 50,872). The assets of the Company valued at about Rs. 7 lakhs auctioned in October, 1960 realised only Rs. 3.5 lakhs. Of this, Government received Rs. 3.47 lakhs in December, 1961, as decreed by the High Court. Although Government ordered (September, 1964) the recovery of the balance dues (including interest accrued on the dues subsequent to the winding up) under the Revenue Recovery Act from the family properties of the former Managing Director, which had been furnished as additional security for the loans, no amount could be recovered so far (February, 1966), as further proceedings under the Revenue Recovery Act had been stayed by the High Court.

5.33. During August, 1957 to November, 1960 the Mills had been run by Government to avoid a breakdown in this running of the Mills and the possibility of the labourers being thrown out of employment. In order to discharge the liabilities accrued during this period, Government advanced another loan of Rs. 3.30 lakhs in November, 1960 without stipulating any terms and conditions regarding repayment, rate of interest, etc. Government informed Audit in December, 1965 that as seen from the provisional balance sheet of the Mills as on 30th June, 1965 there was no possibility of recovering the loan but the question was being examined.

5.34. The loss incurred by the Mills, when run by Government, according to the provisional balance sheet amounted to Rs. 3.47 lakhs. This included bonus advances aggregating Rs. 15,650 paid to workers in August, 1958 and ordered by Government in May, 1961 to be written off (these could not be adjusted as no bonus was declared). An amount of Rs. 13,584 out of Rs. 15,650 was initially recovered from the retrenchment compensation paid to the workers during January—March, 1961 but was subsequently refunded to them in May, 1961 on

the ground that recovery of the advances from the compensation was hard.

5.35. Explaining the present position in regard to this case, the Special Secretary, Industries Department stated that the Government had granted a loan for the company and the second loan was granted to discharge the liabilities that had accrued during the management of the mills by the Government from 1957. On being pointed out that if the Mills was run on profit or loss, the liability would be that of the Company and not of the Government, the witness stated that it was one of the conditions of taking over, but at the time of auction, debts that were accrued while the company was with the Government had to be cleared because the court had ordered that the company should be handed over free of encumbrances to the auction purchaser. Government was bound to discharge the liabilities of the institution. In reply to a question, the witness stated that the loan of Rs. 3.30 lakhs was granted to safeguard the interests of the Government and to see that the labour was not thrown out.

5.36. In reply to a question, the witness stated that the mill had only 4,000 spindles and 400 persons were working in the mill. The mill was not working on profit. The value of the entire mill at that time was Rs. 7 lakhs which included the value of plant and machinery etc.

5.37. The Committee desired to know whether the loan was advanced by the Government or the Financial Corporation. The witness stated that the loan was advanced by the Government. At that time there was no Industrial Development Corporation. Now the Government did not entertain any application for loans except in the case of some companies in the public sector. Normally Kerala State Industrial Development Corporation, Kerala State Small Industries Corporation and the Kerala Financial Corporation dealt with such applications for loans.

5.38. The Committee are unhappy to note that the Government did not take into account the assets and liabilities of the Mahalakshmi Cotton Mills before taking it over and running it departmentally. They should have normally consulted some experts before taking such a responsibility. The Government had no plans to run the mill for a long time as otherwise they would not have handed it over to a third party to run the mill on contractual basis. There does not appear to be any justification in the plea that the Government rushed in to save the labour from unemployment as after the failure of the third party, the mill had to be closed down.

5.39. The only outcome of this transaction was that when the company was wound up, the amount of Government loans and interest outstanding was Rs. 4,00,692. Government received Rs. 3.47 lakhs after the assets of the company were auctioned. The balance amount has not been recovered so far. In addition to this, the Government had to advance another loan to discharge the liabilities of the company that had accrued during the management of the mill by Government from 1957.

5.40. The Committee, therefore, feel that the Government should not normally enter into such transactions without full consideration of all the aspects involved including financial implications, in future.

BLEACHING AND CALENDERING FACTORY, PAPPANAMCODE

Loss in the working of the plant—Para 116, pages 125-126.

5.41. The factory was commissioned in May, 1962 and the scheme envisaged processing of 1,588 Kgs. (10,000 to 12,000 metres) of cloth per day and making a net profits of Rs. 54145 per annum. Processing charges were, however, invoiced on a no profit no loss basis, cost being worked out on the basis of the maximum capacity of the Plant; these rates were approved by Government in October, 1962 for a period of one year till the actual working results were known. There was no regular work in the factory due to insufficient quantity of cloth received for processing (the boiler was worked only for 161 days during the period from May, 1962 to March, 1965) and on this account the actual working results could not be known. In March, 1965 Government ordered that processing charges should be fixed from time to time based on the actual cost, subject to review after a period of one year.

5.42. The expenditure incurred for processing 7,71,133 metres of cloth during the period from May, 1962 to March, 1965 was Rs. 1,60,566 (excluding interest on capital, depreciation, etc.), while the receipts invoiced on the basis of Government orders of October, 1962 came to Rs. 36,956 only. This resulted in a net under recovery of Rs. 1,23,610. Government stated (November, 1965) that as cloth from the societies was not received in the factory for processing according to expectation, the practice followed in the factory was that the several pieces of cloth received for processing were hoarded up for a reasonable period and processing taken up at intervals even if the cloth received was not sufficient for carrying out the work in one shift continuously lest the reputation of the factory be lost. It was further stated that the unit could be worked profitably only if it was fed with 10,000 metres of cloth for 8 hours and that the department

was exploring the possibilities of converting the unit into a production-cum-servicing centre.

5.43. The Committee desired to know as to why the processing charges fixed tentatively for a period of one year in October, 1962 were not revised immediately after the expiry of one year period and also as to how the recoveries made compared with the expenditure incurred during the period April, 1965 to March, 1966. The Director of Industries and Commerce stated that the Department had proceeded on a very wrong assumption on the availability of cloth. The assumption was that 10,000 metres of cloth per day would be processed. From actual working it was found that the cloth processed during 1964 was only 2,23,000 metres. At first it was found that this quantity of material would not be available without a warping and sizing unit. There was competition from private establishments outside the State where they supplied size, warps and also got their cloth calendered at a slightly lower price and sometimes took their material back to their premises. These arrangements were not available in this unit. The working results of 1962-63 had shown that only 1,73,000 metres were available. After the first year's working it was realised that it was not possible to reach the expected target. On 6th July, 1964, the Government had ordered that Additional Director of Industries and Commerce and the Assistant Director might go to Tamilnad and study the working of the bleaching and calendering plant. They had reported in November, 1964 that the working of the plant could be improved if there was a sizing and warping plant. On the basis of that report funds for the setting up of a warping and sizing plant was sanctioned in 1965. The machinery had arrived and it was under erection and the scheme was of Rs. 5 lakhs.

5.44. The Committee are unhappy to find that the Government instead of reviewing the position after the expiry of one year when there was no regular work in the factory, carried on the bleaching and calendering work at intervals after several pieces of cloth were boarded up on wrong assumption of availability of cloth disregarding the competition they had to face in the market. As a result the Government had to incur some loss which could have been avoided.

5.45. The committee hope that the warping and sizing plant would be set up without undue delay and the working of the factory placed on sound commercial footing.

Payments made to a firm of lawyers—Item 6, page 171—Appendix VIII

5.46. Government engaged a firm of lawyers and notaries from 10th March, 1963 in connection with a dispute between an industrialist in Bombay on the one side and the Government and a foreign firm

on the other, regarding the establishment of a Transformer Factory at Ankamaly. On the consideration that there would be frequent occasions for engaging specialists in commercial law in connection with the affairs relating to the industrial projects in which Government are interested, Government appointed the firm in September, 1964 as their retainers on Company law cases for a period of two years from 10th March, 1963 on a monthly remuneration of Rs. 500 besides travelling allowance and regular fee for conduct of court cases. It was, however, noticed that the only case referred to the retainers during a period of 2 years was the one on which they were first engaged.

5.47. The Committee desired to know the consideration on which it was decided to appoint the firm as retainers giving retrospective effect to the arrangement. The Special Secretary, Industries Department stated that this firm of lawyers was appointed for a special purpose. Their services were obtained earlier also. There was a delay in issuing the Government order and that was why retrospective effect was given to the arrangement. On being asked about the reasons for the delay in issuing the order, the witness stated that there was some routine delay. Some delay had occurred because of consultations with this firm and other firms of lawyers and retainers. On being asked whether there was any other litigation pending or anticipated at Bombay apart from the one mentioned in the Audit Report, the witness stated that there were other collaboration agreements with foreign companies. There was no dispute but the possibility was there. In reply to a question the witness stated that it was common to give retainer fee to this firm and they were the retainers for more than 20 to 22 companies. In that connection, the Committee desired to be furnished with a note indicating whether it was a firm of Solicitors or lawyers that was retained and how the retention fee was reckoned. This note has been furnished and is at Appendix XXXIV.

5.48. The Committee find from the note that the above arrangement with the firm of lawyers was to continue till 10th March, 1965, and the position was to be reviewed in February, 1965. As the case referred to in the Audit para had been settled and as there was no other case to be referred to them, the appointment was not extended beyond the original period.

5.49. The Committee feel that the firm of lawyers who were engaged by Government for a particular work were kept on unnecessarily engaged without any apparent work and the Government took a long period of 1½ years to fix their remuneration. The Government had thus to pay certain fees to these lawyers even though no

work was entrusted to them. The Committee desire that Government should determine the quantum of work for which the lawyers may have to be engaged and if considered necessary engage them for specific purposes and for specific period only, instead of entering into long period contracts with them. Government should issue specific instructions to this effect to all the Departments for future guidance.

Kerala Khadi and Village Industries Board—Para 123, pages 143-144.

5.50. Kerala Khadi and Village Industries Board was set up in August, 1957 under Section 4 of the Kerala Khadi and Village Industries Board Act, 1957. It receives financial assistance from the State Government and the All India Village Industries Commission. The amount of loans and grants received by the Board upto March, 1965 was Rs. 3,36.07 lakhs as shown below:—

	Loans	Grants	Total
	(In lakhs of rupees)		
From the State Government	2.96	33.15	36.11
From the All India Village Industries Commission	1,95.52	1,04.44	2,99.96

5.51. The Board is required to furnish certificates of utilisation of assistance to the Accountant General in regard to loans and grants received from the State Government and to the All India Village Industries Commission for the assistance given by that body. As in February, 1966 utilisation certificates were awaited from the Board in respect of loans and grants amounting to Rs. 1.16.18 lakhs, as indicated below:—

Year of payment	Assistance received from the State Government		Assistance received from the All India Village Industries Commission	
	Loans	Grants	Loans	Grants
(In lakhs of rupees)				
1957-61	0.57	1.55	12.69	6.38
1961-62	0.22	0.31	20.00	7.71
1962-63			12.89	9.88
1963-64	0.53	0.23	28.55	14.69
TOTAL	1.32	2.07	74.13	38.66

5.52. The Committee referred to their recommendation contained in para 6.115 of their 47th Report (Third Lok Sabha—1965-66) and desired to know the steps taken to place the Audit Report

of the Khadi and Village Industries Board on the Table of the Legislature. The Secretary, Industries Department informed the Committee that the Khadi Board Act did not make it obligatory to place the Audit Report on the Table of the Legislature. The Act had to be amended and the Government was considering the question of amending the Act. A model Act was sent by the Khadi and Village Industries Commission. Discussions were held with the Khadi and Village Industries Board and Law and Finance Departments. Now the bill was ready and the draft would be sent to the Government of India for being placed before the Parliament. In reply to a question, the witness stated that there was no law which prohibits the placing of the Audit Report on the Table of the Legislature. The Khadi and Village Industries Board would be instructed to furnish the Report even before the Act was amended. In reply to a further question, the witness stated that the Accounts upto 1964-65 had been audited and the Accounts for 1965-66 were under scrutiny.

5.53. Explaining the position in regard to the furnishing of the utilisation certificates, the witness stated that special arrangements had been made to reduce the outstanding utilisation certificates. The present position was that the amount had been brought down to Rs. 62,000 out of Rs. 1.32 lakhs of loan and Rs. 1.5 lakhs out of Rs. 2.07 lakhs of grants. In the case of loans from Khadi and Village Industries Commission the amount had been brought down from Rs. 74.13 lakhs to Rs. 55.31 lakhs and grants from Rs. 38.66 lakhs to Rs. 27.94 lakhs.

5.54. The Committee feel that there was no justification in delaying the placing of the Audit Reports on the accounts of the Khadi and Village Industries Board on the Table of the Legislature till the amendment of the Act. The Committee would like to refer to their recommendation contained in para 6.115 of their 47th Report (3rd Lok Sabha) and desired that this matter should not be delayed further

5.55. The Committee would also like to know the progress made after 30th September, 1966 which is the target date given for recovery of all the loans etc., as stated in evidence.

Non-utilisation or mis-utilisation of assistance given by the Board.

5.56. As part of its activities, the Board gives loans and grants to co-operative societies and other institutions for the development of Khadi and Village Industries.

(a) 465 institutions which received from the Board loans and grants aggregating Rs. 15.63 lakhs are now defunct.

(b) 11 institutions which received financial assistance amounting to Rs. 4.85 lakhs during the period April, 1959 to September, 1964 have not utilised Rs. 1.97 lakhs so far (February, 1966); according to the terms governing the assistance, the amounts should have been utilised within one year of their disbursement.

(c) 7 institutions utilised Rs. 0.25 lakh on unauthorised purposes, out of loans and grants aggregating Rs. 1.34 lakhs received during the period January, 1959 to December, 1964.

5.57. The Committee pointed out that the Government had informed Audit in June, 1966, that loans and grants amounting to Rs. 10.78 lakhs were outstanding against 279 societies and desired to know the present position. Explaining the present position, the Secretary, Industries Department stated that a total of Rs. 7,20,917.25 under loan and Rs. 1,39,969.87 under grant were outstanding against 229 defunct institutions. In the case of 17 institutions the full recovery of Rs. 57,585 had been effected. The prospects of reviving some of these Societies had been looked into. In the case of 79 institutions it had been found that the prospect of reviving were bleak, so steps had been taken under the Revenue Recovery Act.

5.58 On being asked about the steps taken to prevent the loan or assistance being given to doubtful societies, the witness stated that there were inspectors to see that the Societies were being organised on proper lines. Task was fixed for each inspector in the matter of checking and obtaining the utilisation certificates. In regard to the recovery of grants and loans from the defunct Societies the witness stated that the loans and grants had been given under certain rules and had to be recovered under the rules if it is not properly utilised. On being asked about the chances of recovery, the witness stated that there might be assets in the case of Societies, but in several cases it might not be possible to recover the amount.

5.59. Explaining the position in regard to the non-utilisation of Rs. 1.97 lakhs by the 11 institutions, the witness stated that a sum of Rs. 85,550 had been recovered out of a total of Rs. 1.97 lakhs. Action had also been taken by the Khadi and Village Industries Board to recover a further sum of Rs. 51,422 from five institutions. The other institutions were utilising the amount. It was reported that any recovery would adversely affect the working of these institutions. Revenue Recovery proceedings had not yet been initiated against the institutions.

5.60. The Committee feel perturbed that a total of Rs. 7,20,917.25 under loan and Rs. 1,39,969.07 under grant was outstanding against 229 defunct institutions. They also regret to note that in the case of 79 institutions it has been found that the prospects of their revival were bleak. The conclusion is therefore, inescapable that loans and grants have been given to many societies without ensuring their capability of utilising these sums properly and fully. Assistance to such institutions, results not only in non-utilisation but also in mis-utilisation of funds.

5.61. The Committee suggest that Government should devise suitable means to prevent such a situation arising in future.

(ii) *Payee's acknowledgements not furnished to Audit.*

5.62. Payee's receipts for sums disbursed as loans and grants and other payments were not produced for audit in 1,063 cases for amounts totalling Rs. 54.49 lakhs as indicated below:—

(in lakh of rupees)

Year of payment	No. of cases	Amount
1961-62 and 1962-63	216	15.94
1963-64	352	19.10
1964-65	493	19.45

5.63. Explaining the present position in regard to the payee's acknowledgements, the Secretary, Industries Department stated that out of 1063 receipts only 730 receipt were now pending for collection involving an amount of Rs. 23.64 lakhs. The witness added that energetic steps had been taken and good progress had been made.

5.64. The Committee referred to their recommendation contained in para 6.148 of their 47th Report (Third Lok Sabha—1965-66) and desired to know the steps taken in that regard. The Administrative Officer, Khadi and Village Industries Board stated that the payments were made after getting advance stamped receipts. Receipts were obtained even for acknowledgement of cheques by institutions and other parties. As payments were supported by stamped receipts from the parties, the procedure accepted by the Board was to keep the acknowledgements in the concerned correspondence file instead of keeping as a separate vouchers.

5.65. The Committee are not satisfied with the progress made in obtaining the Payee's acknowledgements which stood at 1063 and

were reduced to 730. In this connection the Committee would refer to their earlier recommendation contained in Para 6.148 of their 47th Report (Third Lok Sabha) and desire that effective steps should be taken in reduce the outstandings as early as possible.

(iii) *Loss of Stores*

5.66. Goods costing about Rs. 30,000 are remaining unsold in the Khadi Gramodyog Bhavans from 1960 onwards (October, 1965). Khadi goods costing Rs. 39,511 were reported to be missing from eight of the Bhavans.

5.67. The stock of Khadi goods as on the 31st March, 1965 in the Payyannur Khadi centre included damaged clothes and yarn costing Rs. 62,121. Of these, goods costing Rs. 41,601 are lying undisposed of since 1960.

5.68. Explaining the position in regard to the missing Khadi goods worth Rs. 39,511, the Secretary Industries Department stated that the cases in respect of missing goods related to only 4 Bhavans. One case related to Trivandrum Khadi Gramodyog Bhavan where goods worth Rs. 1723 was burgled on 14.5.1964. The case was referred to the Police and since the case did not yield any result, the amount had to be written off. The other case related to Khadi Gramodyog Bhawan, Quilon, where there was a shortage of goods worth Rs. 33,849. The responsibility was fixed on the Manager of the Bhavan and he was suspended on 20-8-1966. In reply to a question, the witness stated that the shortage was discovered on 6-8-1963 during internal audit. On being asked whether the goods were actually received by the Store and thereafter it was stolen, the Administrative Officer, Khadi and Village Industries Board stated that the goods were received by the Depot and then it was stolen. The total worth of stocks, on the day goods were stolen was approximately Rs. 5 lakhs. On being asked about the checks and controls on the Bhavan, the witness stated that now there was a system by which frauds could be detected. The Bhavan had to send daily and weekly reports. The Village officers of the concerned area had to inspect the depot at least once in a month.

5.69. The Committee desired to know the reasons for the delay in the disposal of damaged goods lying in stock in the Payyannur Khadi Centre. The Secretary, Industries Department stated that nothing tangible had been done in respect of disposal of damaged goods. 14,780 hanks of damaged yarn was disposed of by weaving D.T. and jamkalams. It had been proposed to send somebody to

Thiruppur to see as to how the damaged goods could be used by dying, cutting and making garments for sale.

5.70. The Committee desired to be furnished with a note showing as to what was the position about the theft case. Where was the suspended person employee at present and what was he doing. The information received is at Appendix XXXV.

5.71. The Committee feel that no timely action was taken by the Department against those who were found guilty of theft. The shortage of goods of Quilon Bhavan was detected in 1963 and action for suspension was taken only in 1966. No proper investigation seems to have been carried out nor any prompt action taken against those found guilty whenever such shortages were detected.

5.72. The Committee desire that the Khadi Board should look into the matter more carefully and devise ways and means to put a stop to such theft.

5.73. As regards disposal of accumulated stocks of old Khadi cloth at Payyannur, the Committee desire that early steps should be taken for its disposal either by reduction sale, or by converting it into readymade garments.

VI

PUBLIC WORKS DEPARTMENT

Kuttanad Development Scheme, para 20, page 30

6.1. The Kuttanad Development Scheme envisages the following works:—

- (i) cutting open a spillway at Thottappally for flood discharge by the shortest route to the sea; and
- (ii) construction of a salt water barrier across the Vembanad lake at Thaanneermukkom to prevent tidal inflow of salt water into Kuttanad.

6.2. The spillway at Thottappally was completed in December, 1954 at a cost of Rs. 57.93 lakhs. Government ordered in December, 1957 the assessment and collection of cess (as provided in the Travancore-Cochin Irrigation Act, 1956) from 1957-58 onwards in respect of areas "manifestly benefited" by the spillway. No action has, however, been taken by the Department to assess and realise the cess (October, 1965).

6.3. The salt water barrier envisaged in the scheme, originally scheduled to be completed in 1958, is now expected to be completed by the end of 1968. The delay in completion is stated to be due to:

- (i) changes in design on the advice of the Central Water and Power Commission and consequent starting of work in February, 1958 only; and
- (ii) foundation difficulties.

Some particulars regarding the cost, etc., of the salt water barrier are given below:

(i) <i>Cost of construction</i>	<i>Rupees in lakhs</i>
Original estimate (1954)	43.58
Revised estimate (1957)	1,50.00
Actual expenditure (upto March, 1965)	1,16.99
———Work in progress	

6.4. The increase in the estimated cost is stated to be due to changes in design of the scheme.

(ii) <i>Anticipated revenue</i>	
Original estimate	No cess
Revised estimate	Rs. 7.26 lakhs—cess

Besides cess, betterment levy of Rs. 1.21 lakhs is also anticipated after the completion of the scheme.

6.5. Explaining the case, the Secretary, Public Works Deptt. informed the Committee that the Kuttanad Development Scheme consisted of a spillway at Thottappally for flood discharge by the shortest route to the sea and construction of salt water barrier across the Vembannad lake at Thanneermukkom to prevent tidal inflow of salt water into Kuttanad. The spillway at Thottappally was completed in December, 1954 at a cost of Rs. 57.93 lakhs. The Government had ordered in 1957 that the cess should be collected on lands which were manifestly benefited. In 1965, the District Collector and the Chief Engineer had reported that they were unable to demarcate the lands which were manifestly benefited in respect of flood relief. The amount of flood that was coming in was not of a very large order. It was not, therefore, possible to demarcate quite clearly the areas which were manifestly benefited. In reply to the question, the witness stated that the instruction for the collection of the cess was issued in 1957 but no follow-up action was taken. On being asked as to why it was stated in the order that the cess should be collected from the areas 'manifestly benefited' the witness stated that there was no record to indicate as to why it was done so. The witness added that according to the original project report, it was expected that 20,000 acres would be benefited with the completion of both the works. The report did not specify separately the areas which would be benefited. In reply to a question, the witness stated that in the Travancore-Cochin Irrigation Act, 1956, the irrigation work also included flood control work. It was found recently that the Travancore-Cochin Irrigation Act required revision and a unified Kerala Irrigation Act should be enacted excluding the flood control. Since flood control measures were different from irrigation works, steps had been taken to differentiate both. In reply to a question, the witness stated that when the orders were passed in December, 1957, Government intended to collect the cess from areas where flood prevention measures were undertaken. Since the areas could not be demarcated, it was not possible to collect the cess. The witness further added that according to the Irrigation Act, there were different kinds of flood control works. Any work which afforded some protection from floods could be taken as flood control work.

6.6. In reply to a further question, the witness stated that two kinds of taxes were leviable. One was the water cess or irrigation cess because the flood control work was also done for irrigation purposes. The irrigated areas could be demarcated. The second was

betterment levy which could be collected under Travancore-Cochin Irrigation Act. There was difficulty in finding out the exact improvement that was caused by the irrigation works or to define a method by which it could be assessed in a minor irrigation area which would stand the scrutiny of the courts also. The Department had not come to any conclusion so far which would have to await suitable legislative measures.

6.7. The Committee are unhappy to find that the entire scheme of collection of cess was formulated without much of forethought and the Department did not show any genuine interest at any stage to work it out in a business like manner. The various lapses which were committed and were allowed to be continued to the detriment of the Government's interest were:

- (i) even though the spillway was completed in December, 1954 the Department took a decision to collect cess only in 1957—three years later, for which there are no valid reasons;
- (ii) the Department having issued the order in 1957 took no steps to implement it and it was only in 1965 that the Deptt. could realise that the order was defective in as much as it did not specify the area from which the cess had to be collected;
- (iii) the original project report envisaged that 20,000 acres only would be benefited by the scheme. Under orders of Government, assessment and collection of cess from 1957-58 onwards was to be in respect of areas "manifestly benefited" by the spillway. At no time subsequently the Department thought it proper to demarcate the area "manifestly benefited" for the purpose of levying cess nor did the original report specify it. That the words "manifestly benefited" were incorporated in the order without any justifiable reasons reveals the careless manner in which the order was formulated; and
- (iv) no efforts appear to have been taken by the Department to find out whether the order was legally enforceable. It was discovered only recently, that the relevant Act would have to be amended for implementation of the order.

Because of these lapses, the Committee find that Government had lost revenue for years together which could have been averted if the Department were vigilant from the very beginning. They hope that Government would take suitable steps to streamline the procedure to avoid such lapses, and also adopt necessary legislative measures without undue delay.

6.8. Explaining the reasons for the delay in the construction of the salt water barrier of Thanneermukkom, the Chief Engineer (G&I) informed the Committee that the Thanneermukkom Barrage was the second part of the Kuttanand Development Scheme. The first part was the Thettappally spillway. The original design was to put up a bund. The foundation was to be provided with piles 25' deep which was later on found to be insufficient. Further investigations and consultations became necessary. The work was delayed because it was connected with the Cochin Harbour work. The representative of the Central Water and Power Commission had visited the place and a Committee was formed with the representatives of the Central Water and Power Commission (Poona Research Station) and Government of Kerela. It was decided to provide piles of 80' or 90'. Since the necessary equipments to drive such piles were not available only one third portion of the water at a time could be blocked. One third portion of the Western part had been completed and the second portion had been started. Though the work was not complete, the benefits of the scheme could be derived even now. One third of the work had been completed in all respects. In reply to a question, the witness stated that the work would be completed in 1971 and the revised estimate came to Rs. 300 lakhs. The Secretary, Public Works Department stated that the original estimate was only for the bund which was objected to and not taken up.

6.9. (ii) The Committee pointed out that according to Audit para a revenue of Rs. 7.26 lakhs by way of cess and a betterment levy of Rs. 1.21 lakhs was anticipated after the completion of the scheme and enquired whether in view of further increase in cost, the anticipated figures had since been revised. The Secretary, Public Works Department stated that these figures had not been revised, but the rates of irrigation cess would undergo some revision. The Secretary, Public Works Department stated that they had been assured by the Chief Engineer that the barrier would be completed within the revised anticipated cost and it would effectively serve the purpose for which it was intended.

6.10. The Committee find that two thirds of the work still remain to be completed. The Committee feel concerned to note that the original estimate of the salt water barrier was Rs. 43.58 lakhs in 1954 it was revised to Rs. 150 lakhs in 1958 and that it has now further been revised to Rs. 300 lakhs. The Committee suggest that an enquiry into the causes for this increase should be held. They hope that the Department would ensure that the execution of the remaining portion of the project is not unduly delayed because of bad

planning or lack of coordination. They further hope that the Department would assess the effects of devaluation and try to keep the estimates within reasonable limits.

6.11. (iii) Under the conditions of an agreement entered in February, 1958 for putting up a ring bund in connection with the construction of the regulator, the contractor was responsible for the maintenance of the bund and to repair the breaches caused during construction. However, on his representation made in September, 1958 that he might be compensated for a substantial portion of the bund which was washed off by wave action, the department paid an amount of Rs. 8,333 in November, 1961.

6.12. The same contractor was paid in November, 1961 and February, 1962 a total amount of Rs. 14,723 towards seigniorage of a particular kind of clay as well as for rectification of certain damages; the payment was not admissible, as under the conditions of the agreement the rate was inclusive of seigniorage and the bund had to be maintained by the contractor till the work on the barrier was completed.

6.13. (iv) The ring bund referred to in (iii) above was to be formed for an average height of 15 feet and the agreed rate was Rs. 37.75 per rft. The bund formed to a length of 3,975 feet between March, 1958 and October, 1958 was measured and paid for during March, 1958 to November, 1958 at the agreed rate. On 31st January, 1959, however, the measurements already recorded were revised as 450 feet with 15 feet height and 3,745 feet with 20 feet average height; the payment for the entire length of 4,195 feet was calculated at Rs. 54.84 per rft., taking the entire length as 20 feet average height and a further amount of Rs. 72,000 was paid to the contractor in November, 1961. The payment at Rs. 54.84 per rft. was stated to have been made on the basis of an unauthenticated supplementary agreement; it was stated that the supplementary agreement could not be authenticated due to the sudden demise of the Executive Engineer. All the payments connected with the ring bund work are under Police investigation since May, 1963. The results of the investigation are awaited (January, 1966).

6.14. The Committee desired to know whether the police investigation had been completed in regard to all the payments connected with the ring bund work. The Secretary, Public Works Deptt. stated that the correct position was not given to Audit because the papers were not with the Deptt. He added that these three specific transactions had not been gone into by the pounce. The police

were investigating certain allegations in regard to some other work connected with the ring bund and certain allegations against certain officers. The police had taken the file in 1963. The investigations on allegations had been completed and a report had been submitted by the police to the Home Department. The file had been received back and it was now found that these three transactions were not the subject matter for investigation by the police. In reply to a question, the witness stated that the police had taken the records before the audit para was received. The witness admitted that the contents of the audit para could have been verified and the discrepancy could have been pointed out to Audit. The witness added, however, that the payment of the amount was correct but whether it was an irregular payment or not was a matter to be verified. The payment that was made in the first instance was a payment outside the agreement but whether it was a culpable mistake was a thing which had got to be verified and found out.

6.15. The Committee desired to be furnished with a note on these sub-para's duly vetted by Audit.

6.16. The notes furnished by the Department are at Appendix XXXVI.

6.17. With regard to the payment made to the contractor for "maintenance work of the bund", the Committee understand from Audit that even though the agreement refers to the responsibility of the contractor for such a work during the period when the barrier work is being done, the term "maintenance work" is not defined in the agreement itself. Their decision that the "maintenance work" for which extra payment has been made to the contractor would not be the responsibility of the contractor, falling under the provisions of this particular condition in the agreement, has been taken by the Chief Engineer without referring the case to the Government and without taking any legal opinion in the matter. They further find from the note that the bund was washed away not due to any unsound workmanship but because there was departmental delay in arranging for protective dredging work. The Department have further held "since the re-formation (of the washed clay) cannot be treated as mere maintenance, sanctioning of this rate appears to be in order."

6.18. The Committee feel that the Departments should ensure that the agreements entered into with the contractors are specific in all respects and there is no vagueness on any point. The terms of the agreement should be drawn in consultation with the Chief Engineer and the Legal Deptt. so that practical difficulties that might arise

out of the execution of the schemes, are taken note of and at the same time the document is made foolproof.

6.19. As regards the payment made to the contractor on account of the use of Vetchoor Clay, the Committee find from the note that in spite of the fact that the agreement specified the use of Kayal clay, it was the contractor who claimed that the Kayal clay would not withstand the waves. The Committee are also amazed to find that even though the Executive Engineer referred to the use of Vetchoor clay as "the contractor's idea" and though the contractor used the "Vetchoor Clay" on his own without any order being issued by the Department, yet the Department ratified the action of the contractor resulting in the extra payment of Rs. 14,723.

6.20. The Committee fail to understand why the Department did not make a provision of the use of Vetchoor clay in the Agreement if they were really convinced, as they appear to be now, that it was the right type of clay which should be used for the stability of the work.

It passes the comprehension of the Committee:

- (i) how the contractor could possibly deviate from the terms of the agreement "of his own";
- (ii) why the Department failed to restrain the contractor;
- (iii) why the agreement was not modified during the execution of the work if the Deptt. were genuinely of the opinion that the type of clay suggested by the contractor was of the right type; and
- (iv) why the Chief Engineer failed either to select the right type of clay and to make a suitable provision in the agreement or to get it amended suitably later on.

6.21. The Committee are of the view that the matter requires proper investigation with the object of fixing responsibility for the various lapses.

6.22. The Committee also regret the lapse of the Department in not communicating the verified and correct position with regard to the Audit para to Audit, which, according to the evidence given, could have been done.

6.23. (v) Part payments amounting to Rs. 9,682 were made in March, 1959 and June, 1959 to two firms towards the supply of 2 vibrators and 2 mixers. As these items of machinery were found to be defective, they have not been put to use; the suppliers have not rectified the defects (February, 1966).

6.24. The Committee desired to be furnished with notes on the following points :

1. remedial measures taken for rectification of defects at the risk of the firm;
2. what action had been taken against the officers concerned.

The note has been furnished and is at Appendix XXXVII.

6.25. From the note the Committee find that both the mixers were found in a damaged condition when supplied and in one case 80 per cent payment was made at the time of delivery of the equipment (20 per cent payment has been held up) while in the other case no payment was made to the firm.

6.26. They regret to find that even though 8 years have passed the mixers could not be put to any use and they are still lying idle without the repairs being made.

In the case of the two vibrators also the Committee find that even though defects were noticed, 90 per cent payment was made to the firm under the orders of the Executive Engineer as recommended by the Assistant Engineer. The circumstances in which such a recommendation was made by the Assistant Engineer should be inquired into.

6.27. Another aspect of this case which causes concern is that in spite of the fact that the Department asked the firm, immediately on receipt of the vibrators to rectify the defects and tried to persuade them to do so the firm managed to delay the matter under one pretext or the other and finally refused to do the work on the plea that the conditions of the supply did not bind them to guarantee their perpetual sound working and that they could not take responsibility for the defects reported to them since the defects had not been reported within 30 days of the receipt of the machinery.

6.28. The Committee feel that in both the cases action against the defaulting firms should be taken. Moreover, disciplinary action with regard to past payment in the case of vibrators should also be finalised early. Since the two mixers and the two vibrators have been lying idle since 1959, the Committee feel that the department should take a final decision in regard to these equipment i.e. whether these could be put to use after necessary repairs or whether these should be disposed of.

6.29. *Periyar Valley Irrigation Project, para 21, page 32.*

- (a) (i) The work on the Periyar Valley Irrigation Project (Bhoothathankettu Scheme) in Ernakulam District was started in June, 1956 and it was scheduled to be completed by the end of 1960-61; the work is still in progress and is now expected to be completed by 1969-70.

(ii) Some particulars regarding this project are given below:—

(i) Cost of construction	<i>Rupees in lakhs</i>
Original estimate (1956)	3,48·00
Revised estimate (August, 1965)	6,40·00
Actual expenditure upto the end of March, 1965.	3,32·02

Works in progress.

The upward revision of the estimate by about 84 per cent of the original estimate is attributed mainly to—

- (i) actual quantities of work during execution exceeding those originally anticipated;
- (ii) increased cost of labour and materials;
- (iii) changes in design of main canals, etc., to ensure proper supply;
- (iv) higher contract rates than anticipated owing to lack of competition among contractors; and
- (v) proposal for an additional branch canal.

(b) *Irrigation target and estimated return on capital:*

6.30. The target of irrigation fixed originally was 63,300 acres. This remains un-altered though the estimate was revised from Rs. 3,48 lakhs to Rs. 6,40 lakhs. Thus the estimated return on the capital without taking into account interest charges will be reduced from 3·1 per cent to 1·24 per cent.

6.31. The Committee desired to know the reasons for the delay in the completion of the project. The Chief Engineer stated that the delay was mainly due to lack of funds. Sufficient funds were not allotted during the Second and Third Plan periods. On being asked as to why funds were not allotted, when it was a scheme under the plan, the Secretary, Public Works Department stated that the difficulty was that there were a large number of schemes. All these schemes were taken up for execution instead of taking such schemes which could be implemented earlier. There was also defect in the planning. Funds for all the schemes were not available during the Third Five Year Plan. There was some extra expenditure for power and funds had to be taken from irrigation.

6.32. The Finance Secretary explained that in the Third Five Year Plan, the Government could provide only the original target below Rs. 11.42 crores. From the State Plan point of view, the Government were unable to provide adequate funds for power and irrigation. While allocating funds and preparing the annual plan,

it had been found that the resources of the State and the Central assistance were limited. Since it had been found difficult to have necessary resources, the Government of India had been requested to give a special assistance to the extent of Rs. 110 lakhs for the irrigation projects.

6.33. The Committee desired to be furnished with further information on the following points:—

1. A note giving details of the schemes (costing Rs. one crores or more) where the cost had gone up by 80 per cent. owing to delay in execution for paucity of funds;
2. A note showing the financial outlay, achievements and the time taken.

The notes have been furnished and are at Appendix XXXVIII.

6.34. The Committee hope that on receipt of the special assistance of funds from Government of India, it would be possible to allocate funds for this scheme.

6.35. The Committee hope that the Department would draw up the details of the future programme for the execution of the project and ensure strict adherence to the time schedules, as any delay in the execution of the scheme is likely to entail extra expenditure.

6.36. (c) *Idle machinery and stores.*

Particulars of machinery, etc.	Remarks
(i) Vibrators, pumpsets, steam rollers, concrete mixers, etc., numbering 45 in all (cost: Rs. 1.44 lakhs)	The various items of machinery were reported (October, 1965) to be idle from different dates from 1961 onwards, either for want of work or repairs.
(ii) Stores articles reported to be surplus to requirement.	Articles like M.S. channels, A.C. pipes, corrugated sheets, etc. valued at Rs. 1.07 lakhs were lying idle for over 3 years (October, 1965).

6.37. The Committee desired to be furnished with a note on this sub-para showing action taken for utilising disposal/repairs of machinery and reasons for machinery remaining idle for long periods.

The note has been furnished and is at Appendix XXXIX.

6.38. The Committee understand from Audit that Government had accepted that stores valued at Rs. 1.67 lakhs remained idle for three years, while replying to the draft para on 10-6-1966. The notes now submitted by the Department however, show surplus stores lying idle valued at Rs. 41,865 only. The Committee, therefore, would like the Department to reconcile this discrepancy. They would like the Public Works Department to make efforts to see that these equipments are made use of either in the projects now under execution or at some other place.

Grant of concession to a private institution, para 24, page 37

6.39. 2.82 acres of land (value note assessed) with a building (cost Rs. 77,956) owned by the Government of Kerala in Madras City was handed over rent-free to the Kerala Samaj, Madras in November, 1958 for running a High School. According to the Government orders of October, 1958 the Samaj was to demolish the existing building at its own cost, appropriate the dismantled material, put up a new building and start working the school within a period of 4 years. No written agreement or lease deed to this effect was, however, taken from the Samaj. The Samaj did not demolish the old building and put up the new one nor did it start the school and Government, therefore, cancelled their orders in April, 1962. A notice was issued to the Samaj in October, 1963 for vacating the land and building; but stated the Samaj still continue to occupy the property (January, 1966) Government stated (December, 1964) that they would take back possession of the property "through legal proceedings if other methods fail."

6.40. The Committee desired to know as to why a written agreement or a lease deed was not executed with the Kerala Samaj, Madras. The Secretary, Public Works Department informed the Committee that the Government had started to get an agreement and the draft agreement was prepared. But the property had been divided into two parts. One portion was given away to Madras Government. The actual extent of property had to be incorporated in the agreement. Necessary information had to be obtained from the Chief Engineer, Madras. There was some correspondence and some delay had occurred in the matter of writing up of the agreement. The Samaj was nominally in possession of the building without having put it into use from 1958 to 1966. Government orders were issued on 8-7-1958 and the property was handed over in November, 1958 and no agreement was executed. In this order there was no mention about the agreement. It had now been allotted to an Association registered under the Societies Registration Act for conducting a school. The school had been started from 1st July, 1966.

The Association had to pay rent at the rate of Rs. 200 per month and had paid a security deposit of Rs. 10,000. The Association were also to pay the property tax. In reply to a question, the witness stated that the Association would have to construct a new building; they had been asked to demolish the old building.

6.41. On being asked as to how it had been ensured that the school would be conducted properly in view of the past experience, the witness stated that according to the lease, the property was given for the particular purpose of running a school. The lessee had agreed to run the school, pay the rent and also demolish the existing building at his cost. The lessee had agreed to maintain the land in proper condition. In case the lessee failed to start the school in the ensuing academic year or committed breach of all or any of the terms and conditions, the lease might be terminated without notice and the property would be resumed without compensation. The lessee would not be entitled to any compensation for any loss. The land was taken over by the Association on 27th June, 1966.

6.42. The Committee consider it to be rather unusual that no agreement was executed with the Kerala Samaj, Madras when Government handed over the property to them for running a school. The Government also showed leniency to the Samaj by exempting them from paying rent for the building which was a distinct departure from the rules which stipulated payments of advance rent for property let out to a person not in Government service. The Samaj took advantage of such leniency and failed to run the school and the Government on the other hand for no justifiable reasons waited for four years till they withdrew their order in 1962.

6.43. The Committee feel that in case the Government contemplated any assistance to the Samaj, the appropriate procedure should have been to recover the full assessed rent from the Samaj and to make the payment in the form of grants-in-aid after making provision for such payments in the demands for Grants placed before the legislature.

6.44. The Committee hope that the Association to whom the property has now been leased will implement the terms of the lease.

Special Buildings Division, Kozhikode, Para 30, page 40

6.45. The contract entered into in December, 1958 or the work "Constructing 6 'A' type quarters for Medical College at Chevayoor, Kozhikode" (estimated cost: Rs. 1.98 lakhs) provided that the contractor would use either M.S. rods or Maxweld fabric as directed by departmental officers; M.S. rods or Maxweld fabric supplied by the

department to the contractor was to be charged for at Rs. 700 per ton and Rs. 0.75p. per sq. ft. respectively. 42,998 sq. ft. of Maxweld fabric out of 43,600 sq. ft. supplied by the department to the contractor in February, 1959 was used by him on the work. The recovery for the issue of this material was, however, effected by the department at the rate provided for M.S. rods. This was further modified by the Superintending Engineer in March, 1961 who ordered that Maxweld fabric might be shown as free issue. When it was pointed out (June, 1961) in audit that this free issue of Maxweld fabric was not provided for in the agreement a supplemental agreement was entered into with the contractor enhancing on the one hand the accepted rates for items of work requiring the use of M.S. rods or Maxweld fabric and providing on the other for recovery of the cost of the materials supplied at the rates indicated in the original agreement. The increase allowed in the rates to offset the recovery of sums due under the original agreement was beyond the terms of the contract which clearly provided for the use of M.S. rods or Maxweld fabric at the discretion of the department and for recovery of their cost. The extra expenditure amounted to Rs. 30,238.

6.46. The department stated in March, 1965 that the estimate and data were prepared on the basis that only M.S. rods would be used and that the issue of Maxweld fabric was considered only on account of dearth of M.S. rods. The department presumed that the contractor's rates were based on the assumption that only M.S. rods would be used on the work and that they were unworkable, if the recovery rate for Maxweld fabric "fixed arbitrarily without looking into the complications that may be involved", was enforced.

6.47. Explaining the background in this case, the Secretary, Public Works Department stated that in the tender it was stated that there were two items of R.C.C. works. In the agreement, it was stated that the contractor might use either Maxweld fabric or M.S. rods according to the instructions of the Executive Engineer. The kind of Maxweld fabric to be used was not mentioned in the agreement. There was ambiguity in the agreement. The work was done by Maxweld fabrics and the recovery was to be made from the contractor. So the Superintending Engineer had entered into a supplementary agreement. The rate was calculated and fixed on the actual weight of M.S. rods that were used. The approval of the Government was taken. The action taken was to solve the ambiguity. In reply to a question, the witness admitted that there was an obvious mistake in the drafting of the agreement and there was nothing intentional in this matter.

6.48. In reply to a further question, the witness stated that the contractor had finished the work. As the required quantity of M.S.

rods were not available, both M.S. rods and Maxweld fabric had to be used.

6.49. The Committee hope that the Department would be careful enough in future to ensure that Government is not put to any loss because of the ambiguity or other lacuna in the agreement signed with a contractor.

Building and Roads Division, Muvattupuzha—Para 33, page 42

6.50. As a result of test-borings conducted during execution of the work of construction of a bridge at 1/2 of the road from Neezhoor to Kaduthuruthy (revised estimated cost; Rs. 54,300) it was found that the piles already driven to 19 ft. depth had to be extended 'in situ' to a further length of 12ft. to 13 ft. The contractor refused to do the additional work as this required additional staging and labour and he demanded exorbitant rates. His contract was, therefore, terminated in August, 1960; the work was got executed at his risk and cost through another contractor in 1963 entailing an extra expenditure of Rs. 21,652.

6.51. The Executive Engineer stated (July, 1965) that no test-piles were driven before the work was started, as the sanctioned estimate did not provide for test driving of piles. Government stated (July, 1965) that no liability could be fastened on the contractor as the Executive Engineer who had made several requisitions to the contractor to resume the work did not specify the period within which the work had to be completed.

6.52. The Committee desired to be furnished with a note on this para. The note furnished by the Department is at Appendix XL.

6.53. The Committee regret to find that due to the negligence on the part of the Executive Engineer in failing to comply with the conditions of clause 13 of the Agreement, the Department on the Advice of the legal Department could not fasten liability on the contractor. They further understand from Audit that the Government did not pursue the matter of fixing responsibility on the Executive Engineers who have since ceased to be in State Service. The Committee consider it unfortunate that the question of fixing responsibility was not considered earlier (1963-onwards).

Shortages of iron and steel materials during transit, para 65, page 72

6.54. According to the orders of Government of India (October, 1959), the firms supplying controlled categories of iron and steel are to be paid the full value of the materials within 14 days of presentation of bills. The firms are to produce proof of despatch, but they

need not send 'clear' railway receipts; recovery from them, of the value of shortages in transit is not permissible. The railways also do not entertain claims for such shortages as the materials are despatched on 'conditional' railway receipts with the remarks "said to contain" or "suppliers' weight accepted."

6.55. 223 cases of shortages of iron and steel materials (value: Rs. 2.12 lakhs) were noticed in the supplies received in the Public Works Stores, Trivandrum, Ernakulam and Kozhikode during the period 1959-60 to 1962-63. Out of these, in 152 cases (value: Rs. 1 lakh) the loss could not be recovered from any one and is awaiting write off; in 26 other cases (value: Rs. 0.94 lakh) the matter is stated to be under correspondence with the suppliers/railways.

6.56. The Committee desired to be furnished with a note on this para. The note furnished by the Department is at Appendix XLI.

6.57. The Committee feel that the information given in the note is rather incomplete as it does not state:

- (i) when such shortages first came to notice and what action had been taken by the Deptt. from time to time to ensure that full quantity reached the destination;
- (ii) the basis on which it has been calculated that the cost would be Rs. 50 more per ton if arrangements were made to supply the materials at departmental stores;
- (iii) what the Government propose to do in regard to the 40 cases in which the allowable weight tolerance had been exceeded; and
- (iv) whether safeguards had been provided to ensure that no loss occurred during transit from Railway Station to Stores.

6.58. The Committee would like to be informed of the final outcome of the efforts being made by the Department in regard to the measures to be taken to avoid losses in transit.

VII

REVENUE DEPARTMENT

Results of test-audit—Para 71, page 75

7.1. In paragraph 58, pages 71—74 of the Audit Report, 1965 mention was made of certain points noticed during the course of test-audit of sales tax assessments in 36 offices during the period up to August, 1964. During the subsequent period upto August, 1965, test-audit of 6,134 assessment cases in 60 offices was conducted. The types of irregularities and the important cases noticed in the test-audit are given in the following paragraphs:—

- (a) **Escape of taxable turnover from assessment of tax (46 cases involving a taxable turnover of Rs. 23·47 lakhs and short collection of Rs. 49,691).**

7.2. (i) Under the provisions of Section 25A of the General Sales Tax Act, 1125 M.E., the stock in hand of commodities, newly brought under sales tax at the point of first sale, should be taxed at the hands of the dealer having the stock on the 1st April, 1962, the date of introduction of the levy. Failure to apply Section 25A of the Act on a turnover of Rs. 0·71 lakh in 6 such cases resulted in short assessment of tax of Rs. 3,718.

7.3. (ii) According to Government Notification of 8th March, 1963 turnover in works contracts was exempted from tax only from 1st April, 1962; but exemption was applied to two cases relating to earlier years. Consequently, a taxable turnover of Rs. 3·21 lakhs escaped assessment; the tax effect was Rs. 6,720.

7.4. (iii) In 12 cases, turnover of Rs. 15·31 lakhs escaped assessment to tax on account of wrong or excessive exemption allowed; the tax effect was Rs. 27,650. In one of the cases (First Circle, Alleppey) a pharmacy which manufactures medicines and dispenses them through its 39 branches, was granted exemption on a turnover of Rs. 3·17 lakhs relating to 1961-62 and 1962-63 due to wrong application of the exemption allowed to doctors/vydyans, dispensing medicines to their own patients; the tax foregone was Rs. 6,650.

7.5. (iv) Mistakes in the computation of taxable turnover and other miscellaneous omissions on a total turnover of Rs. 4·24 lakhs

in 26 cases resulted in a short demand of Rs. 11,603. This included a case (First Circle, Alleppey) in which a turnover of Rs. 1 lakh was omitted due to an arithmetical error, the tax effect being Rs. 2,060. In another case (Special Circle, Alleppey) while reassessing tax based on the Tribunal's orders, the Sales Tax Officer adopted an incorrect amount of turnover thereby failing to assess turnover to the extent of Rs. 1.39 lakhs; the tax lost to Government on this account was Rs. 5,566.

7.6. The Committee desired to know whether the Department had collected tax according to the correct taxable turnover in all the cases referred to in the Sub-para as also the circumstances under which erroneous exemptions were granted in the case of medicines manufactured by a Pharmacy dealt with in item (iii) of this sub-para. The Secretary, Board of Revenue (Taxes) stated that the first case related to Sales-tax Office, Second Circle, Trivandrum. It was a case in which the officer had failed to take into consideration the opening stock of umbrellas to assess the turnover. The umbrellas which had been taxed at 2 per cent multi point was to be taxed at the point of first sale at the rate of 5 per cent. He added that action had been taken and the tax had been demanded and collected.

7.7. The second case related to the Sales Tax Office, Special Circle, Quilon. According to Audit, the Beedi leaves which were to be taxed at the rate of 4 per cent had been omitted to be taxed and the tinned food which was to be taxed at the rate of 5 per cent had also been omitted. But, the witness stated on verification, it had been found that these commodities had been taxed at the appropriate rates.

7.8. The third case related to Sales Tax Office, Changanacherry which was a real omission and the turnover which had escaped assessment had been assessed for tax.

7.9. In the fourth case, the dealer was dealing in tiles which had been under the multi point tax upto 1st April, 1962. The officer had failed to take note of that fact and had assessed the tax only at the rate of 2 per cent, instead of 5 per cent. The witness added that the assessment had been revised and tax had been collected.

7.10. In the fifth case the officer had failed to tax paper at the rate of 5 per cent. The mistake had been rectified and the tax due had been demanded.

7.11. The sixth case related to Devikulam office. The officer had failed to tax the opening stock of vacuum flasks, food stuffs and

soaps which had been brought under the single point from 1st April, 1962. The tax due had been demanded after subsequent assessment. In reply to a question, the witness stated that some of the cases had gone to the High Court which involved works contract, etc.

7.12. The Committee desired to be furnished with further information on the following points:—

1. What was the total amount of taxes since recovered;
2. Cases which were before the High Court or any other Judicial Authority and as a result of which the tax could not be collected.

The notes have been furnished. (Appendix XLII).

7.13. The Committee find that the total taxes since recovered in 117 cases relating to sub-para (a) to (h) amounted to Rs. 45,462.20 and in all such cases where balance was pending collection, the amounts had already been advised for collection excepting in one case where the collection of additional amount of Rs. 45,035.09 had been stayed by the High Court. The Committee would like to be informed of the final outcome of this case, in due course.

7.14. When the Committee pointed out that the draft audit para was sent to the Government on the 9th December, 1965 and no reply had been sent to Audit by the Government, the Secretary, Revenue Department stated that some information was required in that connection. The draft para was received by the Department on 15th December, 1965 and the Accountant General was addressed on 20th December, 1965. The information that was required was received on 19th January, 1966. Thereafter, the Board was asked to get the information from 95 Sales-tax Officers. It required extracts of 290 cases and collection of information from 95 officers. The first report was received from the Board on 4th June, 1966, which was incomplete and further information had to be collected. In reply to a question, the witness stated that in all cases dealers had to be called for and the facts stated by Audit had to be scrutinised. On being pointed out that when the audit para was received, factual position as to whether the information contained in the draft audit para was correct or not, had to be reported to Audit, the witness stated that the Department wanted to rectify the defects and then send a report. So the Department had to call for the accounts of the assesseees and verify the accounts.

7.15. The Committee desired to know whether any action had been taken against the officers for the irregularity regarding the incorrect assessment of tax. The witness stated that during the last one year action had been taken by the Board against 18 Sales-tax officers. In reply to a question, the Secretary, Board of Revenue

(Taxes) stated that there was an Internal Audit party in the Department consisting of seven parties with two persons in each. The Internal Audit Wing was asked to start audit from 1956-57 onwards and by 1965-66, they could complete the audit upto 1963-64. In reply to a question, the witness stated that this draft audit para was not gone through by Internal Audit.

7.16. The Committee hope that the Department will take note of the cases of lapses on the part of the officials in the assessment of taxes and will issue necessary directives to ensure that such instances do not recur. The Department should further see that no unintended benefit is conferred on firms through erroneous calculations. To achieve this and, not only the orders and instructions issued should be clear and unambiguous but those should also be implemented scrupulously. The fact disclosed in evidence that as many as 18 Sales Tax Officers had to be proceeded against in one year for irregular assessment of taxes, indicates that there is considerable room for improvement in the standard of efficiency of the Sales Tax Officers.

7.17. The Committee regret to note that these irregularities were not detected by Internal Audit as they had been able to complete audit only upto 1963-64. The Committee desire that the Internal Audit should be more alert and upto date and the administrative machinery should also be toned up adequately. The Committee also hope that the Department would recover remaining arrears, without any further delay.

(d) *Irregular exemption of turnover of goods subject to single point levy.*

7.18. Under Rule 27(5) of the General Sales Tax Rules 1950 dealers carrying on business in goods claiming exemption as not being first seller or last purchaser of such goods, are required to produce a declaration in the prescribed form to prove that the goods have suffered tax or will suffer tax elsewhere. In 18 cases exemption was allowed to the assessee on an aggregate turnover of Rs. 36.32 lakhs without obtaining the declaration from or otherwise ascertaining whether the turnover exempted had suffered tax at the hands of other dealers. The tax effect of these exemptions was Rs. 1,06,038.

7.19. Explaining the position, the Secretary, Board of Revenue (Taxes) informed the Committee that if the dealers wanted to claim exemption from tax, they had to furnish a declaration in Form 34. In most of the cases assessments had been revised. The filing of declaration in Form 34 is only directory and not mandatory. According to the decision of the Supreme Court, the officers could make assessment of the tax on the basis of evidence collected. Instruc-

tions had also been issued to the officers that if there was any difficulty in filing of declaration in Form 34, they could obtain other satisfactory evidence from the dealers and if they were satisfied with the evidence, exemption could be granted. The witness added that on a final analysis of the matter, it was found that the aggregate turnover which escaped tax was only Rs. 41,253 and not Rs 36.32 lakhs. The tax on this particular amount came to Rs. 2,000 and odd and the tax had been demanded.

7.20. The Committee hope that the instructions already issued would be followed strictly and there would be no occasion in future where exemptions could be given without any justifiable reason. They also feel that the guide-lines as to what constitute "satisfactory evidence" for the purpose of granting exemptions where a dealer fails to file a declaration in form No. 34 should be specifically laid down if not already done, to eliminate the chances of misuse of discretion.

7.21. On being pointed out that many goods were sold outside the State without any bill and thereby the State was losing the revenues, the witness stated that it was a fact and added that these things took place with the knowledge of the Railway Authorities. Government of India had been asked to take appropriate action. In reply to a question, the witness stated that the Southern Railway was taking action and two officers had been suspended. Regarding the efforts made by the State Government to detect such cases, the witness stated that a notification under Section 30 of the Sales tax Act had been issued recently to the effect that if a dealer wanted to sell goods outside the State, he should fulfil the conditions prescribed therein. Otherwise consignments would not be moved from the Railway station. In reply to a question, the witness stated that the Department had no powers to inspect the Railway Receipts in the Booking Office. It had also not been examined whether such illegal trade was a criminal offence. The witness further added that as soon as it was found that a party was sending goods under a bogus name, a telegram was sent to the officer concerned in the other State so that he could proceed to the railway station to find out the real consignee. But in most of the cases the consignee would not turn up to take delivery of the goods. In regard to the transfer of goods from a head office to branch offices in the other States, where the Sales-tax was exempted, the witness stated that the question of amending the Central Act was under the consideration of the Government of India. The Joint Secretary, Ministry of Finance stated that the transfer of goods were not sales and could not be subjected to sales tax which was technically called 'transfer of goods on consignment basis'. The difficulty was very great and the States had moved the Centre to bring about some amendment or change

in the law. In reply to a question, the witness stated that in Cannanore Distt. the evasion was rather heavy—it was estimated at Rs. 2.30 crores.

7.22. On being asked as to why it should not be made obligatory on the Railways not to accept consignment unless a certificate was produced, the Joint Secretary, Ministry of Finance stated that it had been found that by State law any such obligation could not be imposed on the Railways.

7.23. The Committee desired to be furnished with further information on the following points:—

1. steps taken or proposed to be taken to prevent evasion of taxes;
2. cases of evasion through railway booking;
3. whether any enquiries had been made from the Railways about such evasions;
4. whether it was a fact that the Railways would not accept any order for booking unless the certificate was produced; and
5. how many complaints were filed about Railway booking.

7.24. From the evidence tendered and the notes furnished (Appendix XLIII) the Committee are distressed to find that evasion of taxes is rampant in Kerala in the transactions of pepper, arecanut, rubber, coir and coconut oil practised through bookings by rails in bogus names, and these are within the knowledge of the authorities of the Southern Railway. The practice is stated to be widely prevalent in Cannanore, Kozhikode, Palghat and Trichur. In Cannanore District alone the evasion on this account was estimated to be as high as Rs. 2.30 crores. The *modus operandi* in such cases are that goods are booked to various places outside the State by rail in fictitious names and Railway Receipts are often discounted through certain Banks which give discounting facilities to some of the persistent and habitual defaulters of sales tax. The Committee are perturbed to find that even though the Deputy Commissioner (Intelligence) had on several occasions brought such cases to the notice of the Commercial Superintendent, Olavakot and in spite of the fact that the General Manager, Southern Railway had issued instructions to subordinate staff that before consignment of arecanut were accepted for booking, sales tax registration certificates and pass/permit showing that cess due to Market Committee had been paid, as many as 3295 cases had come to the notice where the Station Masters had violated the instructions on the ground that they had no instructions from the Railway authorities in the matter.

7.25. The Committee fully concur with the feelings of the Department that unless the Railway authorities show firmness and insist on the production of documents satisfying the payment of sales tax etc. before the notified goods are booked, it would not be possible to check tax evasion which has taken alarming proportion. The Committee would also like the Ministry of Railways (Railway Board) to find out whether there was any delay in communicating the instructions of the General Manager, Southern Railway to the concerned Railway Station Masters, if so the reasons therefor, and if not why those were violated.

7.26. They also desire to be informed of the action taken by the Central Government in regard to the amendment to be made to Central Sales Tax Act which is under consideration.

CENTRAL SALES TAX ACT

(g) *Loss of revenue due to treating inter-State sales as export sales.*

7.27. The former French Settlements of Pondicherry, Karaikal, Mahe and Yanam became Union Territory from 16th August, 1962. Consequently, sales from the State to dealers in these areas, treated till then as 'sales in the course of export' had to be considered as 'sales in the course of inter-State trade or commerce' with effect from that date. The sales to dealers in these territories during the period from 16th August, 1962 to 31st March, 1963, were continued to be treated as export trade and exempted from tax. This resulted in a loss of tax amounting to Rs. 50,315 on aggregate turnover of Rs. 7.19 lakhs in 9 cases, at the rate of 7 per cent (concessional rate was not admissible as no declarations in the prescribed form were produced, within the period allowed as per State Government's notification of 23rd February, 1963 allowing such concession). Six of these cases involving a turnover of Rs. 6.50 lakhs with a tax effect of Rs. 45,492 occurred in the Sales Tax Office, Special Circle, Quilon.

7.28. Explaining the position in this case, the Secretary, Revenue Department stated that the official notification dated 16th August, 1962, regarding the transfer of French territories was received from the Government of India only on 12th November, 1962, with Government of India's letter dated 5th November, 1962. In their letter, the Government of India had recommended that inter-State sales tax in respect of the former French Settlement might be exempted altogether from taxation or to levy only one per cent tax. Government had accepted the latter course and had issued a notification on 22nd March, 1963. Only at that time, the departmental officers became aware of the fact and that was why the inter-State sales were treated as export sales in the interim period. After studying

the Audit para, the officers had now assessed the tax at 7 per cent and most of the assesseees had gone on appeal.

7.29. The Committee regret to note that Government of India's notification dated 16th August, 1962 was received by the State Government only on 12th November, 1962. There was a further delay of about 4 months on the part of the State Government in issuing the consequential notification. The Committee desire that this matter might be looked into.

(h) Irregular grant of concessions.

7.30. The grant of concessional rates of tax under the Central Sales Tax Act is permissible only on fulfilment of the conditions stipulated therein. In 129 cases involving a turnover of Rs. 24.36 lakhs where the necessary conditions were not fulfilled the grant of concessional rate of tax resulted in short-realisation of tax amounting to Rs. 1,08,511 as indicated below:—

(i) Concessional rate of tax allowed without producing valid 'C' forms.

7.31. Concessional rate of Central Sales Tax on inter-State sales is admissible to dealers only if they produce valid declaration in 'C' forms obtained from the purchasers. In 25 cases where the valid declaration were not filed the concessional rate was allowed on an aggregate turnover of Rs. 3.09 lakhs with a short assessment of tax amounting to Rs. 18,559. In the Sales Tax Office, Special Circle, Quilon alone the short assessment on this account was Rs. 15,159 in 11 cases.

7.32. Explaining the position, the Secretary, Board of Revenue (Taxes) stated that out of 25 cases, it had been found that there were valid 'C' forms in 14 cases and in the remaining cases, assessments had been revised. In reply to a question, the witness stated that some of the 'C' forms were misplaced. There were minor defects in other cases. The dealers were expected to file the declaration in original before the Sales Tax Officers; sometimes the registration certificate numbers might not be there.

7.33. The Committee desired to be furnished with a note showing as to how the concessional rate was allowed without valid 'C' forms.

The note has been furnished and is at Appendix XLIV.

7.34. From the note the Committee find that apart from the complexities involved in administering the fiscal laws, the number of 'C' forms to be verified being numerous, there is the possibility of omission while scrutinising them. Since the grant of concessional rates is related to the information given in the 'C' forms, the Committee

feel that the Administration should examine whether the procedure of furnishing, scrutinising and recording of 'C' forms can be simplified to avoid chances of irregular grant of concessions.

7.35. The Committee further learn from Audit that out of the 25 cases, there were 7 cases in which concessional rate of tax was allowed without the valid 'C' forms being produced and in these cases assessment has since been revised by the Department claiming enhanced rate of tax. The Committee would like the Department to find out how concessional rates were allowed in these cases and satisfy themselves that no *mala fide* was involved.

VIII
HEALTH AND LABOUR DEPARTMENT

PUBLIC HEALTH ENGINEERING BRANCH

Ernakulam-Mattancherry Water Supply Scheme—para 37, pages 43-44

8.1. The Ernakulam-Mattancherry Water Supply envisages improvements to the existing water supply system (Ernakulam-Chowwara Water Works) to cater to the needs of the growing towns of Mattancherry, Fort Cochin, etc., and adjacent areas.

8.2. In 1955, a scheme in this behalf, estimated to cost Rs. 1·54 crores, was agreed to in principle by the Government of India for the purpose of eligibility of Central assistance. Administrative approval to this scheme was accorded by the State Government in August, 1957 and the work was commenced in September, 1959. In November, 1960 the State Government enlarged the scheme and proposed a revised estimate of Rs. 3·52 crores (the scheme is to be executed in two stages: Rs. 2·76 crores—first stage and Rs. 0·76 crore—second stage). This has not yet been approved by the Government of India, as the State Government could not furnish the technical details of the scheme to their satisfaction. Meanwhile, the work on the scheme (first stage) is being executed according to the revised proposals without administrative approval or technical sanction; the work is scheduled to be completed by the end of 1965-66. The expenditure incurred upto March, 1965 is Rs. 1·96 crores including Rs. 0·32 crores on "increased offtake of water from Alwaye river" (a separate work begun in 1944-45 to augment water supply to Ernakulam and adjacent towns but treated as part of this scheme in December, 1959).

8.3. The Committee desired to know as to why the Scheme was taken up only in September, 1959 though it was approved in 1955. The Secretary, Health & Labour Department stated that the Scheme was sanctioned in 1957 and the work could be taken up only in 1959. There were certain difficulties in finalising the location, design etc. and sufficient budget provision was not there to take up the Scheme. On being asked about the reasons for the delay between 1955 and 1957, the Adviser (II) to the Governor stated that after the Government of India had approved the Scheme, the State had to face new problems such as re-organisation etc. which came on 1st November, 1956. In reply to a question, the Chief Engineer

(P.H.E.D.) stated that the Government of India had approved in principle the water supply scheme during the First Plan Period (*vide* Ministry of Health letter dated 3rd January, 1955).

8.4. In regard to the revision of the estimates from Rs. 1.54 crores to Rs. 3.52 crores due to the expansion of the Scheme, the witness stated that Rs. 1.54 crores was only a project estimate and no detailed estimate had been carried out at that time. The Government of Kerala had intimated the change in the scheme to the Government of India on 2nd November, 1960. In reply to a question, the Secretary, Health & Labour Department stated that the scheme was enlarged to suit a bigger area. The Chief Engineer added that the original scheme was meant only for Ernakulam. In the revised scheme, Mattancherry, Fort Cochin, Harbour and Naval base and some of the industrial belts on the way were included. The estimates had, therefore, to be revised. The scheme had to be completed in two phases. The expenditure involved for the first phase and for the second phase was Rs. 276 lakhs and Rs. 76 lakhs respectively. Rs. 252 lakhs would be required immediately and the balance of the amount would be found in the Fourth Five Year Plan.

8.5. In reply to a question, the Secretary, Health and Labour Department stated that in 1960, a new scheme was proposed and sent to Government of India in 1961. There was a query from the Government of India and in the meantime the Chief Engineer was having correspondence with the "Technical Counter-parts in the Government of India". On being asked about the difficulties in supplying the full technical details to the Government of India, the witness stated that the main difficulty was that lot of investigations had to be done to answer the points. After a number of investigations, the Public Health Department had supplied the details to the Government of India by 18th July, 1965.

8.6. In reply to a question, the witness stated that partly due to the increase in the cost of materials and partly due to the extension of benefits, the cost of the scheme had gone up. The cost of the distribution scheme had gone up from Rs. 24 lakhs to Rs. 53 lakhs. The land acquisition charges had gone up from Rs. 4.5 lakhs to Rs. 19 lakhs. The cost of the Filter Plant had gone up from Rs. 1.5 lakhs to Rs. 4.22 lakhs. On his attention being drawn to the letter dated 9th February, 1965 from the Health Secretary to the Accountant General the Chief Engineer stated that it was a fact that the estimate was proposed without adequate details and proper investigation. Many items of work could not be estimated with a fair degree of accuracy. That was why the scheme had to be completely revised. Rs. 1.54 crores was a lumpsum estimate. In reply to a question, the witness stated that there were water supply

schemes in three towns which were carried out by the State Government. But this water supply scheme was the first scheme undertaken during the Second Five Year Plan. The assistance from the Government of India was 100 per cent loan to the State Government. The National Water Supply and Sanitation scheme was formulated with the object of augmenting water supply to scarcity areas. The expenditure upto March, 1966 was Rs. 252 lakhs. On being asked about the latest position in regard to the completion of the first stage, the witness stated that the first stage had been completed but the distribution could not be taken up because of lack of sufficient funds during the Third Five Year Plan.

8.7. In reply to a question, the witness stated that the scheme did not include drainage scheme but it was only a water supply scheme. The Joint Secretary, Ministry of Finance stated that in the earlier stage this aspect was not emphasized so much, but it was now insisted by the Government of India that big water supply scheme should be linked with the drainage schemes. There was a separate drainage scheme for this project.

8.8. The Chief Engineer informed the Committee that the scheme could be completed in two years subject to availability of funds. Funds allotted were not sufficient to take up the distribution work. The cost of the scheme would exceed the amount of Rs. 3.52 crores. The witness added that as the distribution had not yet started the exact amount had not been assessed. An additional amount of about Rs. 100 lakhs would be required for distribution in Ernakulam, Mattancherry and Fort Cochin.

8.9. The Committee desired to know as to how the expenditure, much in excess of the sanctioned amount of Rs. 1.54 crores, was incurred on the scheme without the sanction of the Government of India. The Finance Secretary informed the Committee that it could not be said that the money was spent without the sanction of the Government of India. Every year, the Central Government and the Planning Commission were approached for getting necessary sanction to execute the scheme. He added that considerable time elapsed by the time the sanction has received. In order to avoid such circumstances, the schemes for which sanction was obtained for one year was continued. Every year, during the Third Five Year Plan, funds were provided for this particular scheme. A sum of Rs. 135.71 lakhs was spent during the Third Five Year Plan. It was, therefore, clear that the Government had made provisions for this particular scheme and had allotted funds year to year.

8.10. In reply to a question, the Secretary, Health and Labour Department stated that the money was spent in anticipation of the

sanction of the Government of India. The Government of Kerala also had not formally issued the sanction but provision had been made in the budget.

8.11. On being asked about the terms and conditions on which the loans were sanctioned by the Government of India, the Finance Secretary stated that some of these loans were sanctioned as miscellaneous development loans. These loans were to be returned from the fourth year after these were sanctioned and repaid by the 10th year and rate of interest was 4½ per cent. Loans for water supply and drainage scheme carried an interest of 5 per cent repayable in 16 annual equated instalments.

8.12. In reply to a question, the Chief Engineer stated that the work was started on the revised scheme after 1959. The tender was invited on the basis of the revised scheme. In certain cases the work was awarded to the lowest tenderer.

8.13. The Committee desired to be furnished with further information on the following points:—

- (1) A detailed note showing to what extent the increase in cost was due to revision of the scheme and to what extent the increase was due to increase in cost of materials.
- (2) Note showing reasons for the increase in expenditure.
- (3) Whether the amounts were sanctioned by Government of Kerala or Government of India.
- (4) In how many cases, the works were given to the lowest tenderer.
- (5) Circumstances under which the estimates were revised.
- (6) Further details on the Para.

The notes have been received and are at Appendix XLV.

8.14. The Committee regret that the Ernakulam-Mattancherry Water Supply Scheme approved in principle more than a decade ago by the Central Government has not been completed till this date. They are sorry to find that this scheme which was agreed to in principle by Government of India in 1955, got the administrative approval by the State Government in 1957 and the work was commenced only in September, 1959. Such delays had not only resulted in the late completion of the scheme but has also cost Government more as the cost on different items of the schemes had gone up.

815. The Committee also deplore the unsatisfactory way in which this scheme has been initially drawn up, revised and implemented. After the work on the scheme had commenced in September, 1959, the State Government in November, 1960 enlarged the scheme and proposed a revised estimate and without the approval of the Government of India, the first stage of the revised scheme is being executed. In evidence, it was stated that the original estimate of Rs. 1.54 crores was only a project estimate and no detailed estimate had been carried out at that time. It was stated during evidence that the estimate was proposed without adequate details and proper investigation. Many items of work could not be estimated with a fair degree of accuracy. That was why the scheme had to be completely revised. It was added that Rs. 1.54 crores was a lumpsum estimate. All these factors indicate that the scheme was not considered fully in detail and it was being implemented in a haphazard manner. They also deprecate the method adopted by Government in incurring the expenditure on the scheme without the sanction of the Government of India. The Committee trust that in future the State Government would be more careful in this respect and take proper sanction of the Government of India before incurring huge expenditure on schemes to be implemented with central assistance.

Non-recovery of dues from a contractor, sub-para (a)

8.16. The contractor executing the work of constructing a treatment plant at Alwaye did not account for 4,51,566 cft. (cost: Rs. 1,33,664 at issue rate of Rs. 296 per 1000 cft.) out of 6,42,876 cft. of rubble obtained by blasting rock. This was reported to the Chief Engineer in November, 1964; his remarks were awaited till February, 1966. No recovery has also so far been effected from the contractor for the shortage.

8.17. The Committee desired to know whether the recovery in respect of the balance quantity of rubble had been made. The Secretary, Health and Labour Department stated that the recoveries had already been made and the entire quantity of rubble had been accounted for. The Chief Engineer stated that the recovery was made in March, 1966 and the Audit was informed on 5th September, 1966 when the final accounts were received. The Chief Engineer further added that the rubble was in 3 categories and all the quantities were not utilised. In reply to a question, the Secretary, Health and Labour Department stated that out of a total quantity of 6,42,876 cft. of rubble, only 1,80,352 cft. of rubble was issued to the company for purification. The balance had been used for re-filling work, construction of Intake well, Retaining wall and for levelling purposes. 24858 cft. of rubble had been sold in auction.

8.18. On being asked as to how it was ensured that the 3,48,000 cft. of rubble issued for the purpose of levelling had been utilised in full, the Chief Engineer stated that the utilisation of the rubble was recorded in the measurement book and the Executive Engineer had to check the entries in the book. About the proper utilisation, the Secretary added "I checked with the Engineers and they have records to prove. I was satisfied with it." In reply to a question, the Chief Engineer stated that the rubble for levelling purposes was issued in 1963. On being asked as to why it was not explained to audit, the witness admitted that it was an omission.

8.19. The Committee desire that Finance Department should issue instructions that Audit should invariably be informed of the correct factual position in respect of draft Audit paras in time.

Infructuous expenditure—Sub-para (b)

8.20. The work of constructing a retaining wall along the Periyar river bank on the eastern and western sides of the intake well (for protecting it from the flood waters) was almost completed in June, 1964, at a cost of Rs. 30,285. In July, 1964, after final payment was made to the contractor, the wall on the eastern side collapsed and that on the western side developed some cracks. The Assistant Engineer, Head Works Sub-division, Alwaye who conducted an investigation into the mishap reported to the Executive Engineer, Public Health Division, Alwaye in February, 1965 that the damage was partly due to the use of second quality rubble obtained at the site for the construction of the wall and partly due to the sudden collection of water at the site on account of heavy rains and consequent pressure on the wall. No final orders have been passed so far (January, 1966) regarding the responsibility of contractor or officials in this behalf. A proposal to discard the whole structure and to construct another retaining wall was stated to be under consideration of the department (October, 1965). The intake well was meanwhile given temporary protection by reinforcing the foundation with rubble at a cost of Rs. 1,300.

Explaining the position in this case, the Secretary, Health and Labour Department informed the Committee that the Chief Engineer had called for the report of the Superintending Engineer. The decision arrived at after the examination of the case was that the collapse of the wall was due to the use of second quality rubble that was obtained at the site and due to the unexpected floods during monsoon. The witness further added that the use of second quality rubble did not involve any risk.

8.22. Asked whether it was a deliberate decision to use second quality rubble, the witness stated that the Chief Engineer had approved the design and the second quality rubble was used "knowingly" and as per his instructions. The failure according to the Investigating Officer was "due to the adoption of the conventional method in the design of dry retaining wall without analysing the stability of the wall against all possible disrupting forces."

8.23. On being asked whether any responsibility had been fixed for adopting the particular design and permitting the use of second quality rubble, the Secretary, Health and Labour Department stated that no responsibility was fixed, because it was stated in the report that the collapse of the wall was due to unexpected rains. The report was received only a few days back.

8.24. On being asked about the reasons for the delay in conducting the enquiry into the collapse of the wall, the Secretary, Health and Labour Department stated that normally it was the duty of the Engineer concerned to investigate into any mishap within a reasonable time. Government came to know of the mishap only when the Audit para was received. A report was called for immediately. It was not enquired as to why investigation into the mishap was not done immediately.

8.25. In reply to a question, the witness stated that there was no machinery for checking such failures. Usually the officers concerned were to report the mishap but in the present case, they had not reported.

8.26. In reply to a question the Chief Engineer stated that the actual date of the collapse of the wall was 28th July, 1964, this wall was constructed just two months before. The Secretary Health and Labour Department stated that the Government came to know of the collapse of the wall on 13th August, 1965, when the Audit para was received. The Chief Engineer added that the Executive Engineer who was on the spot had reported to the Chief Engineer on 29th July, 1964. Government was not informed of the mishap because the Chief Engineer did not consider it as a major item. On being asked about the distinction between the major and the minor incidents, the witness stated that only disastrous accidents were reported to the Accountant General and the Government immediately after occurrence. By accident it was meant, the death of a person during the course of work or some major collapse.

8.27. The Finance Secretary further added that according to Article 320 of the Kerala Financial code, damage to immovable property should be reported immediately to the superior authority and

to the head of the department who would in turn report to the Government. In the case of petty loss not exceeding Rs. 300 and which did not appear to involve any important feature requiring detailed investigation and consideration, the preliminary and final reports were to be sent only to the authority competent to write-off.

8.28. In reply to a question, the Chief Engineer stated that the then Chief Engineer had visited the spot after the accident but did not report to Government or ask the Executive Engineer to take any further action. After the Audit para was received, the matter was looked into and the Chief Engineer had recorded that nobody was responsible. In reply to a further question, the witness stated that the total amount involved in the contract was Rs. 33,000. The Executive Engineer who was directly under the control of the Chief Engineer had invited the tenders. The Chief Engineer further added that before the collapse of the wall, the items were measured, checked by the Junior Engineer, Assistant Engineer and also by the Executive Engineer. In reply to a question, the witness stated that the Department did not get reports during the course of the work, except when there was necessity to get orders from the Chief Engineer. On being asked as to who was the sanctioning authority and whether sanction of the Government was required for the work, the witness stated that the Chief Engineer was the sanctioning authority, the work could be done by him but a report had to be sent to the Government after the work was over.

8.29. On being asked whether any enquiry was conducted to find out the responsibility of the contractor in this case, the Chief Engineer stated that the enquiry was conducted into his aspect and also the responsibility of the supervisory officers. The rubble was issued by the Department and the contractor had used the rubble according to the directions of the supervisory officers and the specifications in the tender. The contractor and the supervisory officers were not responsible.

8.30. In reply to a question, the Secretary, Health and Labour Department informed the Committee that there was no proposal at that time to build a pucca retaining wall with suitable reinforcements or superior rubble particularly because such a construction would have cost heavily and the available quantity of rubble would have found little use otherwise.

8.31. The Committee regret to find that immediately after construction of the retaining walls along the Periyar river bank on the Eastern and Western sides at a cost of Rs. 30,285, the wall on the

eastern side collapsed and the wall on the Western side developed some cracks. What is more disturbing to the Committee is that no responsibility had been fixed although the failure of the wall was found to be "due to the adoption of the conventional method in the design of dry retaining wall without analysing the stability of the wall against all possible disrupting forces," and use of second quality rubble.

8.32. They are also surprised to find delay in conducting enquiry into the causes of the collapse of the wall as Government came to know of the mishap only when Audit pointed it out. The Committee take a serious view of this lapse and desire that responsibility should be fixed for non-observance of provisions of Article 320 of the Kerala Financial Code regarding damage to immovable property.

Quilon Water Supply Scheme, Para 38—Pages 44—46

8.33. (a) The work on the scheme was commenced in July, 1956 to be completed by March, 1961. The scheme was partially commissioned in February, 1963 and was almost completed by March, 1965. Water connection had been given to 636 street taps only; no house connection has been given (May, 1965) as the scheme has not been handed over to the Municipality pending settlement of the terms of the transfer. A large amount of Government expenditure thus stands locked up without commensurate benefits. The delay of about 4 years in completing the scheme was attributed mainly to difficulties (temporarily overcome by using pipes of smaller capacity than required) in laying the main pipe line along the existing Neendakara bridge, in taking the pumping main across a canal involving the construction of a foot bridge but foreseen originally, in laying gravity mains and distribution lines underneath the railway tracks, etc.

8.34. (b) Some particulars regarding the cost of the scheme are given below:—

Cost of construction	(Rupees in lakhs)
Original estimate (1956) excluding Rs. 40 lakhs by way of contribution of materials by the Norwegian-India Foundation	53.00
Revised estimate (proposed in June) 1963 but awaiting Government approval ; excluding contribution of Rs. 40 lakhs from the Norwegian-India Foundation	1,08.61
Expenditure incurred upto the end of March, 1965 (excluding the value of materials received from the Norwegian-India Foundation)	93.05

8.35. The scheme is being financed out of loans from the Government of India. The scheme has been executed by the State Government to be made over to the Quilon Municipality, 50 per cent of the cost being treated as grant and the balance 50 per cent as loan from the State Government.

8.36. Explaining the position in this case, the Secretary, Health and Labour Department informed the Committee that the pipes were received free from the Indo-Norwegian Foundation. A number of reasons had contributed to the delay in the construction and execution of the scheme. One of the reasons was the difficulty in taking the pipes across a wooden girded bridge at Neendakara. The Chief Engineer added that the bridge across the National High way from Quilon to Alleppey was old. It was under the Public Works Department. Therefore, several alternatives were discussed with the P.W.D. which took some time.

8.37. On being asked about the reasons for the delay of four years, the Secretary, Health and Labour Department stated that the negotiations were started even in 1957 and the proposals were finalised in 1962. The two departments had come to an understanding and it took two to three years to come to a final decision. Asked whether there was any delay which was not anticipated, the witness stated, "no particular reason which would not be anticipated". There was some difficulty in so far as the main canal was concerned which could have been really anticipated.

8.38. Regarding the reasons for the increase in the cost of the scheme by more than Rs. 40 lakhs compared to the original estimate, the witness stated that the cost of the various items had gone up. The main items were the increase in the cost of improvement of earthen bunds, land acquisition and construction. These items were already included in the original scheme. The increase in the cost was due to the delay in the execution of the scheme. The final estimate of the scheme now was Rs. 1,59 lakhs, including the Norwegian aid of Rs. 40 lakhs as against the original estimate of Rs. 93 lakhs.

8.39. The Committee desired to know whether the scheme had been completed. The Secretary, Health and Labour Department stated that the scheme had been completed and the distribution system had already been handed over to the Municipality on the 15th March, 1966. 230 persons were given house connections. Even before the scheme was handed over to the Municipality preconnections were given. In reply to a question, the witness stated that separate accounts had been maintained in respect of the materials.

received from the Indo-Norwegian foundation and an agreement had been executed.

8.40. The Committee are unhappy to note that the Quilon Water Supply Scheme which was to be completed by March, 1961 was completed after March, 1965, entailing a delay of more than 4 years.

8.41. As regards the delay of four years, it was learnt during evidence that the main factor was the time taken in the inter-departmental negotiations in settling certain operational details.

8.42. The Committee see no reason for the abnormal time (two to three years) taken to come to a final decision between two departments as this delay not only delayed the completion of the scheme by 4 years but also resulted by March, 1965) in an extra expenditure of about Rs. 40 lakhs to the Exchequer, as the cost of various items had gone up. The Committee would like the State Government to improve the co-ordination amongst various departments to avoid such abnormal delays in settling issue that may come up from time to time.

Infructuous expenditure—Sub-para (c) (i)

8.43. A ring bund for the intake of water from the Sasthamcottah lake to the pump house sank bodily in the loose slush in April, 1959 before it could be completed. As attempts to strengthen the bund also failed it was finally decided not to have a ringbund at all but only an open channel. The infructuous expenditure, being the cost of the ring bund abandoned, amounted to Rs. 26,275.

8.44. Explaining the position in this case, the Chief Engineer stated that the ring bund was a temporary structure that was put up to isolate the foundation. Investigations in regard to the soil conditions were not done for putting up the ring bund.

8.45. The Committee desired to be furnished with a note as to whether adequate investigation of soil conditions was made before deciding to construct the ring bund and whether any enquiry was conducted to fix responsibility.

8.46. The note (Appendix XLVI) has been received. In the note it is stated that no investigation of soil condition was made before deciding to construct the ring bund. The Chief Engineer (PHED) has been asked on 30th September, 1966 to conduct an enquiry and to fix the responsibility in the matter.

8.47. The Committee may be apprised of the outcome of this inquiry.

Craftmen Training Scheme—Para 43—Pages 49-50

8.48. In order to meet the increasing demand for skilled workers and foremen in different trades, a comprehensive craftmen training

scheme was started in 1957-58 in the State; for this purpose 10 Industrial Training Institutes were established by the end of 1963-64.

8.40. Sixty per cent of the expenditure on the scheme is borne by the Government of India. An expenditure of Rs. 1,71.60 lakhs was incurred on the scheme during the period 1957-58 to 1963-64.

(a) *Abandoned schemes*

8.50 A Pilot Centre of work and orientation and three work and orientation centres proper were discontinued after incurring a total expenditure of Rs. 10.30 lakhs; the schemes which these centres were to implement were not considered successful by the department. The particulars are given below:—

<i>Particulars of the scheme</i>	<i>Remarks</i>
(i) The pilot Centre of work and orientation was established at Kalamassery in March, 1957. The Scheme aimed at providing training to the educated unemployed in the State so as to enable them to secure fresh avenues of employment as petty entrepreneurs or to orient themselves for employment in large industrial and commercial concerns. The expenditure incurred on the scheme upto February, 1959 was Rs. 3.13 lakhs (non-recurring : Rs. 0.48 lakhs; recurring : Rs. 2.65 lakhs).	Three sessions were conducted during March, 1957 to September, 1958 in which 643 persons were trained. The scheme was given up in November, 1958 as the department considered that the training imparted was not adequate enough to acquire sufficient skill in a trade to enable the trainees to start independent business.
(ii) Work and Orientation centres of revised pattern at Kalamassery, Chalakudy and Trivandrum were established between February, 1959 and August, 1960.	Two sessions at Kalamassery and one each at Trivandrum and Chalakudy were conducted during the period from February, 1959 to February, 1962; 249 persons were trained as against the target of 400 trainees.
The expenditure incurred upto February, 1962 was Rs. 7.17 lakhs (non-recurring : Rs. 3.04 lakhs and recurring : Rs. 4.13 lakhs).	The scheme was abandoned in February, 1962 as the department considered that it did not produce good response from trainees.

8.51. The Committee desired to know whether any evaluation of the scheme was made by the Government of India or by any agency of the State Government. The Secretary, Health and Labour Department informed the Committee that the craftsmen Training was launched by the Government of India. No detailed evaluation of

the scheme was made, but a survey was conducted locally. Based on that survey, it was seen that about 69 per cent of the people who had undergone this training were able to get jobs outside. A comprehensive survey was being arranged shortly. In reply to a question the witness stated that the orientation scheme was based on the planning Commission's suggestion which was to prepare educated people for employment. Then the scheme had to be changed because it did not solve the problem. Then it was thought that some technical training should be given and that was also changed. Actually the scheme had not been abandoned. It was a pilot scheme. It was changed three times. Finally it was merged in February, 1959 with the Technical Training Scheme of Kerala. On being asked about the number of persons benefited by the scheme, the witness stated that upto 1964, 643 persons were benefited in the first pilot scheme and 400 in the second scheme. In reply to a question the witness stated that each course was of 18 months' duration.

8.52. The Committee desired to be furnished with further information on the following points:

- (1) Break up of expenditure of Rs. 171.60 lakhs.
- (2) Statement showing the number of persons trained under the scheme.

The note has been received and is at Appendix XLVII.

8.53. The Committee regret that the Craftsmen Training Scheme which was started in 1957-58 and on which Rs. 171.60 lakhs was incurred by Government had to be changed three times as it did not meet the requirements for which it was started. They feel that such a scheme on which such huge amounts are spent should be taken in hand only after it has been examined in full in all aspects.

8.54. The Committee suggest that in view of the large expenditure of Rs. 171.60 lakhs incurred on the scheme, the State Government should undertake a proper evaluation of the operation of the scheme to assess the real benefits derived from the scheme against the anticipations.

8.55. The Committee also suggest that a periodical evaluation of schemes involving an expenditure over Rs. ten lakhs should be undertaken. "The Committee also desire that in respect of schemes substantially financed by the Central Government, Government of India should ensure that such evaluation is periodically made and the results intimated to them.

Excessive idle machinery and equipment—Sub-para (b) (i).

8.56. As at the end of June, 1965, 80 items of equipment and machinery costing about Rs. 1.22 lakhs purchased during February, 1955 to March, 1965 were stocked in seven of the institutions in excess of the scale prescribed by the Directorate General of Employment and Training. This has not been regularised (December, 1965).

8.57. The Committee desired to be furnished with a written note on this sub-para.

8.58. The note has been received and is at Appendix XLVII. In the note, it has been stated, *inter-alia*:

“The position of all equipments based on the revised list effective from 1-8-1966 is being reviewed. Many of the items now remaining surplus are expected to meet deficits in the Industrial Training Institutes based on the revised lists. The Government of India is being addressed to approve the retention of above items, in excess of the standard list prescribed from time to time”.

8.59. The Committee take a serious view of the purchases made in excess of the scale prescribed by the Directorate General of Employment and Training. They trust that in future every care would be taken to make purchases within the prescribed limits.

Recovery of cost of training from the trainees—Sub-para (c)

8.60. At the end of December, 1964 an amount of Rs. 46,147 relating to the period 1959—64 was due for recovery from 284 trainees who had left the training incomplete. Out of this, recovery was in default in 185 cases and proceedings under the Revenue Recovery Act were instituted. An amount of Rs. 20,897 is reported to be still outstanding in these cases (December, 1965).

8.61. The Deputy Apprenticeship Advisor informed the Committee that an up-to-date statement in regard to the recovery had already been furnished to the Accountant General. The Committee desired to be furnished with a copy of the up-to-date statement furnished to the Accountant General in regard to the recovery of Rs. 20,897.

The note has been received and is at Appendix XLVIII. From the note, the Committee find that as in October, 1966, a sum of Rs. 15,235.46 was due from 147 trainees who had defaulted payment.”

8.62. The Committee would like to be informed of the recoveries made from the 147 trainees.

Trivandrum Water Supply (Augmentation) Scheme—Para 40—Pages 47-48.

8.63. A scheme for augmenting the capacity of the water supply system of Trivandrum city from 4.5 million gallons per day to 20 million gallons per day was taken up for execution in March, 1961. An expenditure of Rs. 85.92 lakhs has been incurred on the scheme upto the end of June, 1965; an amount of Rs. 65.43 lakhs has been received to the end of March, 1965 as loan from the Government of India.

8.64. Government had not accorded sanction for the scheme as a whole till February, 1966; expenditure was being incurred on part of the scheme (termed "first stage", estimated cost: Rs. 1,00 lakhs) sanctioned in November, 1961.

8.65. 3,419 cast iron pipes purchased for conveyance main during March, 1961 to June, 1965 at a cost of Rs. 48.71 lakhs remained unutilised till August, 1965. These included 2,408 pipes costing Rs. 34.91 lakhs purchased during March, 1961 to March, 1964. Land for about half the length of alignment of mains pipe was acquired at a cost of Rs. 3.75 lakhs and made available to the department during March, 1964 to May, 1965, but orders for cast iron specials required for laying the pipes were placed only in June, 1965 and these were expected to be received only during March, 1966 to April, 1967.

8.66. Explaining the position in this case the Secretary, Health & Labour Department informed the Committee that the final estimate of the project was Rs. 543 lakhs as against the original estimate of Rs. 302 lakhs. In reply to a question, the witness stated that the Government of Kerala had approved a scheme costing Rs. 332 lakhs and had forwarded the same to the Government of India. In the meanwhile, an administrative sanction for Rs. 100 lakhs was accorded.

8.67. In reply to a question, the Chief Engineer stated that there was some delay in the acquisition of land. Then certain difficulties were encountered while laying the pipes. Advance orders for pipes were placed because it was thought that it would take 5 to 6 years to get the pipes.

8.68. The Committee regret to find that though the scheme for augmenting the capacity of the water supply system of Trivandrum.

city from 4.5 million gallons per day to 20 million gallons per day was taken up for execution in March, 1961, land for about half the length of alignment of mains pipe was acquired only during March, 1964 to May, 1965 at a cost of Rs. 3.75 lakhs and made available to the Department and the orders for cast iron specials required for laying the pipes were placed only in June, 1965 and these were expected to be received only during March, 1966 to April, 1967.

- 8.69. The Committee suggest that the Government should conduct an enquiry into the entire planning and execution of the scheme in order to find out as to (i) how far the delay in the execution of the scheme and the consequent locking of the funds were avoidable; (ii) how far the procurement of stores had been delayed; and (iii) how far the expenditure on establishment could have been curtailed by proper co-ordination.

The Government of India should also be kept informed of the progress of the scheme.

8.70. The contract for conveyance of pipes from 1st September, 1964 onwards was awarded to the lowest tenderer on 18th August, 1964 stipulating that the contractor should provide himself with all implements, cranes, etc., required for the work. He, however, requested on 31st August, 1964, that either he might be allowed a month's time to start the work or allowed the use of the departmental crane for an initial period of one month, by which time he would acquire a crane of his own. The department rejected both the requests and awarded the contract on 20th October, 1964 to the second lowest tenderer who was then conveying the pipes, as an interim arrangement, with the departmental crane. At his request he was allowed to continue the interim arrangement of using the departmental crane till 4th December, 1964. The extra expenditure computed with reference to the lowest tendered rate of August, 1964 in respect of the work amounted to about Rs. 10,170.

8.71. The Committee desired to know the papers in which the tender notice was published. The Chief Engineer Public Health Engineering Department informed the Committee that the tender notice was published in the Government Gazette and in one Malayalam paper in Trivandrum on 6th July, 1964 and 20th July, 1964. The last date for the acceptance of the tender was 30th July, 1964 and the tender was finalised on 18th August, 1964. The work was to be started on 1st August, 1964. On being asked about the reasons for the delay in giving the sanction to the concerned contractor, the witness stated that according to the condition of the tender,

the tenders were to be considered for acceptance within a period of two months beyond the date of opening of the tender and the tenderers were not free to withdraw or modify the tenders. In reply to a question, the witness stated that the work could not be commenced before the tenders were finalised. But work was being carried on by the previous contractor. The Secretary, Health & Labour Department stated that the Chief Engineer had extended the period of the previous contract for a further period of three months. The Chief Engineer, Public Health Engineering Department added that the initial period of the contract was to end on 30th June, 1964. The Chief Engineer had the option to extend the contract for a further period of six months according to the terms of the contract, but the contract was extended only for three months. The notice extending the period of the contract from 1st July, 1964 for a further period of three months was issued to the contractor on 24th June, 1964. In reply to a question, the witness stated that the contractor had not agreed to comply with the notice. In the meantime some wagons were lying for clearance in the railway station. The Chief Engineer had asked the Executive Engineer to make alternative arrangements by giving the departmental crane on hire basis to the interim contractor. In reply to a further question, the witness stated that the tenders were opened and tabulated by the Executive Engineer and sent to the Chief Engineer for orders on 3rd August, 1964 with a letter. The witness added that the usual practice was to open the tenders in the presence of the contractors and there were records to show that the contractors were present when the tenders were opened. The Chief Engineer had passed order on the tenders and it was communicated in a Memo to the Executive Engineer on 14th August, 1964. The Executive Engineer had issued a notice to the contractor on 18th August, 1964 regarding the award of the tender and the notice was received by the contractor on 21st August, 1964. The contractor was asked to contact the Executive Engineer within seven days. Instead of contacting the Executive Engineer, the contractor wrote a letter to the Executive Engineer on 31st August 1964. In reply to a question, the witness stated that the work should have started within 18 days from the date of awarding the tender. (The tenders were valid till the end of September i.e. for two months from 1st August, 1964). On receipt of the letter from the contractor, the Executive Engineer had again addressed a letter to the Chief Engineer. A Memo was issued on 5th September, 1964 stating that the contract was awarded in favour of the contractor who happened to be the lowest tenderer and also because he had not asked for the departmental crane. The Executive Engineer in his letter dated 14th September, 1964 had stated that the depart-

mental crane could not be made available. Thereafter the Chief Engineer had issued a Memo, on 3rd October, 1964 to the Contractor to meet him on 5th October, 1964 in his office to discuss the matter with regard to the conveyance of pipes. The contractor met the Chief Engineer on 5th October, 1964. There was a chit in the file. It was stated therein that the contractor was not prepared to do the work and other arrangements were to be made at the risk and cost of the contractor. No reasons were recorded in the file in this regard. In reply to a question, the witness stated that the other arrangements were to give the work to the next lowest tenderer. The Chief Engineer had ordered that the work was to be given to the next lowest tenderer as per the tender conditions. In reply to a further question, the witness stated that the orders of the Chief Engineer were recorded by the Technical Assistant. The contract was given to the second lowest tenderer on 20th October, 1964 and the lowest tenderer was informed on 13th November, 1964. Explaining further, the witness stated that generally, it was the lowest tender which was accepted. The officer who gave the tender must also be convinced that the lowest tenderer was in a position to deliver the goods. But it could not be insisted that the lowest tenderer should be given the work. It was found from the files that the lowest tenderer was given enough time and opportunity from August, onwards. On being asked whether the first contractor had failed to deliver the goods, the witness stated that there were not sufficient reasons adduced by the Chief Engineer as to why the first contractor was not able to deliver the goods. In reply to a question the witness stated that the policy of the Department was not to give the departmental crane but in the second case the Department was forced to change the policy. On being pointed out that when the system was changed, the contract could have been awarded to the first contractor, the witness stated that the Chief Engineer had clearly put down that the contractor did not seem to be sincere. The lowest tenderer wanted the departmental crane for one month, if he was given the crane there would have been a charge that the Executive Engineer had favoured a tenderer and was not following the conditions of the tender.

8.72. The Committee would like to stress certain aspects connected with this case. In his letter dated 31-8-1964 the lowest contractor had asked for the use of the departmental crane for the short period of one month or to be given one month's time to begin the work. These requests were rejected. But complete record of the discussion that took place between the Chief Engineer and the contractor in this connection had not been maintained. Further, as required under the rules, reasons were also not recorded when the lowest tender was rejected. The tenderer was informed about the cancel-

lation of his tender only on 13-11-1964 whereas the work was awarded to the second lowest contractor on 20-10-1964, who was also given the benefit of the use of the departmental crane. It, therefore, appears to the Committee that the tender was considered not on merits, but on other grounds. The Committee feel that this case discloses an act of favouritism shown to a particular contractor by ignoring the legitimate claims of the lowest contractor. The Committee would like Government to take suitable steps to ensure that such cases do not recur.

8.73. The Committee suggest that Govt. should issue clear instructions that in all cases of tenders a complete record of the discussion should be maintained and the reasons should also be invariably recorded in the event of rejecting the lowest tender.

8.74. On being asked whether the previous contractor had discontinued the work, the witness stated that the previous contractor had discontinued the work on 30-6-1964. The interim arrangement was made by the Executive Engineer and the work was done immediately by the second contractor.

8.75. Explaining further, the witness stated that the Chief Engineer had issued a Memo on 13-11-1964 to the second lowest contractor. As per the Memo the contractor was allowed 4 weeks' time from 20-10-1964 to 16-11-1964. It was also stated that the contract was strictly confined to 15 months from the date of starting the work of conveyance of pipes for the Trivandrum Water Supply (Augmentation) Scheme. The Accountant General informed the Committee that the second lowest contractor had asked for the use of departmental crane for one month only, but, actually, he had carried on the work from 20-10-1964 to 4-12-1964 by using the Departmental crane.

8.76. In regard to the deposit and the agreement signed by the second lowest contractor, the Chief Engineer, Public Health Engineering Department informed the Committee that there was no communication in regard to the deposit. The draft agreement was received by the Executive Engineer on 23-12-1964 and was executed on 1-1-1965. The deposit amount was furnished on 5-12-1964. In reply to a question the witness stated that this was not treated as the fulfilment of the tender conditions. No action had been taken in regard to the breach of condition. In reply to a further question, the witness stated that the second contractor commenced the work on 5-12-1964 with his crane. On being asked as to why the contractor was allowed to use the departmental crane for more than one month, the Secretary, Health and Labour Department stated that if the Department had refused the use of the crane as an interim

arrangement by the contractor, the result would have been the accumulation of stock in the railway station and the consequent loss to the Department. The use of the departmental crane was not strictly according to the tender.

8.77. From the notes (Appendix XLIX) it is seen that the interim arrangement was continued upto 4th December, 1964 till a regular contract was settled with the second lowest contractor. The extra expenditure on account of the temporary arrangement from 1st September, 1964 to 4th December, 1964 amounted to Rs. 7,107.

8.78. The Committee note that the previous contractor discontinued the work on 30th June, 1964. The interim arrangement was made by the Executive Engineer and the work was done from the 16th July, 1964 onwards by the second contractor and other contractors. From the facts placed before the Committee, they cannot escape the conclusion that the interim arrangement was continued to give the benefit of the use of the departmental crane to the second lowest contractor. Further, it is surprising that the contractor was allowed only 4 weeks' time from 20th October, 1964 to 16th November, 1964 for making his own arrangement for unloading the pipes without the help of the departmental crane. In actual practice, the arrangement was continued from 20th October, 1964 to 4th December, 1964 i.e. beyond the period of 4 weeks'. No action has been taken by the Department against this contractor.

8.79. The Contract was awarded to the second lowest contractor on 20-10-1964. The deposit amount was furnished only on 5-12-1964. The draft agreement was received on 23-12-1964 and executed on 1-1-1965. These concessions afforded to the second contractor clearly indicate that the department had deliberately shown undue favours to the contractor when particularly, the use of the departmental crane was not strictly according to the tender.

8.80. From the facts disclosed in this case, the Committee are of the opinion that an investigation is required to be conducted in this case to fix responsibility for the favouritism indulged in by the officers of the Department in the award of the contract.

8.81. The Committee pointed out that the Chief Engineer had stated to Audit in April, 1966 that the loss in the case had worked out to Rs. 6,419, the earnest money of Rs. 1,500 deposited by the contractor was available and further action was being taken to recover the amount and desired to know the present position. The Accountant General informed the Committee that the figure shown in the audit para was correct and it had been accepted by the Department.

The Chief Engineer, Public Health Engineering Department added that the lowest contractor had been informed that his earnest money could not be refunded until the claims were finally settled. In reply to a question, the witness stated that according to the conditions of the tender, the recovery from the contractor was justified. The Secretary, Health and Labour Department added that strictly according to the tender, the contractor had violated the tender condition.

8.82. On being asked whether the claim of the lowest contractor had been settled, the Chief Engineer, Public Health Engineering Department stated that the contractor was liable to pay and the department had assessed the liability. The Executive Engineer had issued a notice to the contractor. The Executive Engineer had sent a letter to the Chief Engineer on 4-6-1966 in which it had been stated that as per instructions the contractor was informed that the loss sustained in this case was Rs. 6,419. The contractor was also informed that the earnest money would be adjusted and the District Collector would be addressed to recover the balance. On being asked whether any legal opinion had been obtained in regard to the recovery, the witness stated that no legal opinion had been taken. In reply to a question, the Finance Secretary stated that under the Travancore-Cochin Revenue Recovery Act all the dues to the Government were recoverable. On being pointed out that the actual claim was Rs. 10,170 but a notice had been given only for Rs. 6,419 the Accountant General, Kerala pointed out that the actual loss was Rs. 10,170 but by mistake a sum of Rs. 6,419 had been communicated by the Department. In reply to a question, the witness stated that the contractor had not signed any agreement. Tendering for a work and issuing of selection notice constituted the contract. Agreement was necessary for the further execution of the contract.

8.83. The Committee fail to understand as to how the Department have issued a notice to the lowest contractor for the recovery of Rs. 6,419 when the actual loss is Rs. 10,170 as pointed out by the Accountant General, Kerala. In the opinion of the Committee the action of the Department in trying to recover the loss involved from the lowest contractor to whom the contract was not given for reasons not justifiable, is not correct. They suggest that before enforcing the recovery the matter should be re-examined in consultation with the Finance and Law Departments.

Expansion of Medical College, Calicut, para 44, pages 50-51.

8.84. The Medical College, at Chevayur (Calicut) established during 1957-58 was proposed to be expanded to provide for increase
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in the number of admissions per year from 100 to 150 students from 1960-61. The number of admissions was again increased to 180 under the Emergency. No firm estimate for the scheme as a whole has been sanctioned by Government; as against the tentative estimate of Rs. 50 lakhs, an expenditure of Rs. 1,27.35 lakhs has been incurred upto March, 1965.

8.85. The existing college hospital is about 5 miles away from the college. A separate college hospital within the college campus which was proposed to be started by the end of 1964 had not been started till February, 1966. This was attributed to delay in the construction of a kitchen and a laundry for the hospital (estimated cost Rs. 2.10 lakhs) and in the completion of the water supply and sanitation works by the Public Health Engineering Department. Meanwhile, buildings costing Rs. 30.19 lakhs constructed during January, 1960 to August, 1964 for locating the hospital together with equipment costing Rs. 3.12 lakhs purchased during March-August, 1965, remained unutilised till February, 1966.

8.86. Further, a hostel building costing about Rs. 2.04 lakhs was constructed during December, 1962 to March, 1964 for Post-graduate students. The Post-graduate course itself is proposed to be started in the college only during the Fourth Five Year Plan period (1966-71). The hostel is meanwhile termed as "Single Officers' Hostel" and 15 out of 48 rooms available for being let have been allotted to such officers in June, 1965. Loss of rent on account of the vacant rooms upto the end of July, 1965 is Rs. 14.760 computed at a monthly rate of Rs. 20 per room, fixed in the rules for the hostel proposed by the College Council of Administration but awaiting approval by Government.

8.87. The Committee desired to know the authority under which the expenditure was being incurred far in excess of the tentative estimate of Rs. 50 lakhs. The Secretary, Health and Labour Department informed the Committee that even though a much higher amount was required, the Government could not fix the higher amount because of plan limitations. A token provision of Rs. 50 lakhs was made for buildings and other requirements. In reply to a question, the witness stated that the amount had not been spent without sanction. The Principal, Medical College, Calicut added that the total amount spent so far was Rs. 292 lakhs and except for the out-door patient block, every thing else had been constructed. The present number of students was 950.

8.88. The Committee referred to the non-utilisation of college Hospital Buildings and equipment due to delay in the construction

of a kitchen and laundry for the hospital and delay in completion of water supply and sanitary works by the Public Health Engineering Department, and enquired whether the delay was due to the lack of coordination and planning. The Secretary, Health and Labour Department stated that the Government did not think that there was any lack of planning in this case. Some amount of phasing was inevitable with the limited amount. In reply to a question, the Principal, Medical College, Calicut stated that the total cost of kitchen and laundry was Rs. 2.16 lakhs. The witness further added that the buildings did not remain unutilised merely because the kitchen and laundry were not completed. Those were ready by March, 1966. All the time construction was going on and it could not have been possible to utilise the buildings unless these works were completed which was the reason for the delay.

8.89. In regard to the loss of rent due to vacant rooms in the hostel building constructed at a cost of Rs. 2.04 lakhs, the Principal, Medical College, Calicut stated that the building was intended for unmarried staff. Due to lack of funds, the building could not be finished in time. In reply to a question, the Secretary, Health and Labour Deptt. stated that the Government in their order, dated 25-10-62 had sanctioned the hostel for 'Unmarried staff'.

8.90. The Committee regret that buildings for locating the hospital together with equipment remained unutilised for more than a year. They hope that by now these are being fully utilised.

8.91. They trust that now that construction of the hospital and hostel is complete, there will be no further loss of rent owing to non-allotment of rooms in the hostel. They also hope that with the completion of the hospital and the hostel, the introduction of the post-graduate course will also be expedited.

Extra expenditure. para 45, page 51.

8.92. Tenders for the supply of diet articles to the General Hospital, Kozhikode and Mental Hospital, Kozhikode during 1964-65 were invited by the District Medical Officer, Kozhikode in October, 1963; the acceptance of the lowest tenders was recommended to the Director of Health Services in March, 1964. The entire work was not allotted to the lowest tenders and parts of the contracts were allotted in March-April, 1964, by the Director of Health Services to a Co-operative Society at higher rates. This was stated to be in pursuance of the general policy of Government to encourage co-operative societies. It is observed, however, that according to the Government orders in this regard, co-operative societies shall not

be given contracts on preferential basis when once the tenders had been invited; in these cases, the offers of the society were received only in November, 1963, after tenders had been invited. The extra expenditure on the supplies made by the society to the two hospitals during 1964-65 was about Rs. 71,800.

8.93. The Government orders giving preferential treatment to co-operative societies are not applicable to non-diet articles. However, the contract for the supply of firewood to the Mental Hospital, Kozhikode during 1964-65 was also entrusted to the same co-operative society in preference to the lowest offer received in response to the tender. This resulted in an extra expenditure of about Rs. 4,000.

8.94. The Committee desired to know the circumstances under which the District Medical Officer had entrusted the contract to the Co-operative Society in contravention of the orders of the Government. The Secretary, Health and Labour Department informed the Committee that the District Medical Officer had entrusted the contract to the Cooperative Society and had given some preference which was not strictly in contravention of the rules. According to the Memorandum dated 24-10-1963, those Societies which were recommended for consideration before 1st December, should be considered for giving the contract. The particular Society was recommended by the District Industries Officer on 11-11-1963. Therefore, the recommendation was strictly within the date prescribed by the Government in their Memorandum.

8.95. On being asked as to why a higher price was paid, the witness stated that it was the policy of the Government to pay higher prices to cooperative societies so as to encourage them. In reply to a question, the Director of Health Services stated that the rate of tender was lower. The Secretary, Health and Labour Department added that the difference between the rates of the lower tender and the rate of the Cooperative Society was Rs. 71,000.

8.96. The Committee pointed out that the recommendation of the District Industries Officer was only for hand pounded rice and enquired the circumstances under which the supply of 15 other items were entrusted to the Cooperative Society.

8.97. The Secretary, health and Labour Department stated that in the first instance the recommendation of the District Industries Officer was only for hand pounded rice. Subsequently, recommendation was received for all the items. In reply to a question, the Director of Health Services stated that the first recommendation was on 11-11-1963 and the second recommendation was on 7-2-1964.

8.98. In reply to a question, the Secretary, Health and Labour Department stated that in October this District Medical Officer had issued a notification in the papers for the supply of certain items. It was not a regular tender notification and in it items were not specified.

8.99. In reply to a further question the Secretary, Health and Labour Department stated that as per Government orders firewood was also considered as a dietary article like rice, gram etc. used in the kitchen.

8.100. The Committee desired to be furnished with a detailed note showing the composition, membership, etc. of the Cooperative Society (Appendix L).

8.101. While the Committee would not like to comment on the policy of the Government with regard to encouragement to Co-operative Societies, (according to Government orders purchase of dietary articles required for Government institutions may be made from approved Co-operative Societies at 2½ per cent below market rates and no tenders are required to be called for), they would point out that in this case the tenders were called in the first instance and the difference between the rate of the lower tender and the rates at which supplies were made by the Cooperative Society came to as much as Rs. 71,000. This action becomes all the more unjustifiable in view of the fact that as mentioned in the Audit para "according to the Government orders in this regard, Cooperative Societies shall not be given contracts on preferential basis when once the tenders had been invited; in these cases, the offers of the Society were received only in November, 1963, after tenders had been invited."

8.102. The Committee also fail to understand how the District Industries Officer in his subsequent recommendation on 7-2-1964 recommended this Society for other items (other than hand-pounded rice) of diet articles, when according to the note furnished to the Committee by the Department of Health and Labour, this Cooperative Society "is engaged mainly in the production and sale of hand-pounded rice, mat weaving, khadi and basket making etc."

8.103. The Committee desire that any encouragement given to the Cooperative Societies should be strictly within the four corners of the Rules and Regulations framed for the purpose.

IX

KERALA STATE ELECTRICITY BOARD

(PUBLIC WORKS DEPARTMENT)

Sabarigiri Hydro Electric Project, Para 95, pages 100-104.—9.1. A

Hydro-Electric Project estimated to cost Rs. 24.90 crores, with a power generation of 2,26,000 KW at 60 percent load factor was sanctioned by the Kerala State Electricity Board in February, 1961. The work on the Project was started in March, 1961 and was expected to be completed by end of March, 1968. 2 out of the 6 generators contemplated are, however, expected to be completed during 1965-66 to generate 1,00,000 KW of electric power. The expenditure on the Project amounted to Rs. 27.89 crores up to the end of December, 1965.

9.2. The proposal of the Chief Engineer made in December, 1964 for the revision of the estimate (without any revision of the physical target) of the project to Rs. 35.30 crores is awaiting approval of the Board (February, 1966). Consequently, the return anticipated in the proposed revised estimate has come down to 5.98 per cent from 7.75 per cent anticipated in the original project estimate.

9.3. The Committee desired to know the reasons for the revision of the estimate from Rs. 24.90 crores to Rs. 35.30 crores without any corresponding revision of physical targets. The Chairman, Kerala State Electricity Board stated that the revision was due to the increase in the cost of labour and materials. Generating equipment and a steel pen stock had to be imported from America Under US AID loan. Further, there was an unforeseen slip ("the hill on the left inside completely subsided") in July, 1963 which had to be rectified. The financial implication of the land slip would be about Rs. ½ crore. Explaining further, the witness stated that the power house site of the switch yard was levelled. During the monsoon, the hill on the left inside completely subsided—and there was corresponding rise in the level of the channel which had to be removed and the cavity had to be filled in with rubble so that further land slips during rains could be avoided. A retaining wall also had to be put up. On being asked whether any investigation was conducted at the time the project was taken up, the witness stated that a lot of investigations were carried out. The investigations did not show any sign of land slip.

9.4. In reply to a question, the witness stated that the Electricity Board had consulted the Board of consultants. The consultants had inspected the site and had tendered advice. The rectification works were started only after their recommendation was received.

9.5. On being pointed out that some blasting work was going on near the area, the witness stated that the blasting was going on in the power house site and the tunnel which had nothing to do with the land slip.

9.6. The Committee have been furnished with further information on the following points (Appendix LI):

1. A copy of the report of the investigation in regard to the land slide.
2. Was the land slide due to blasting of rock going on in the tunnel nearby?

9.7. In reply to a question regarding the large variation between the original and the revised estimates, the witness stated that the additional cost had to be incurred on the equipment which the Board had to get from America. America prices were higher than what was estimated in 1959. The Chief Engineer (Civil), Kerala State Electricity Board informed the Committee that steel for the 6 ft. 6 inches diameter pen stock pipes and the generators were to be imported from America. On being asked whether the Hindustan Steel Limited were approached for such equipment, the Chairman, Kerala State Electricity Board stated that such equipments were not available indigenously. The Chief Engineer (Civil) Kerala State Electricity Board added that in regard to the Kakki Dam the original estimate of Rs. 429 lakhs had been revised to 790 lakhs. In the original estimate, a masonry dam was proposed, but later, according to the advice of the consultants, it was changed to a concrete dam. The height of the dam was also increased for some more storage. In reply to a question, the witness stated that because of the change in the design the Board had gained two years. Further whereas about 25,000 cft. could have been attained by rubble masonry, by mechanisation 50,000 cft. had been attained. Asked whether any advice was taken as to whether the dam should be a concrete one or otherwise the Chairman, Electricity Board stated that they had very able consultants under whose advice it was done. The C.W.P.C. had also agreed to this view.

9.8. The Committee enquired as to why a reply was not sent to Audit so far in regard to this draft para which was sent to the Department sometime in May-June, 1965. The Chairman, Kerala State

Electricity Board stated that the Board wanted to collect all the relevant facts in regard to the paras from the field. The witness however promised that in future the Board would see that the draft Audit paras were given prompt attention and replies were given in time. The Secretary, Public Works Department stated that the tendency was to answer the para in full. When the draft paras were received, the office usually did not put it up to the Chairman and it would not come to his notice. Recently instructions had been issued and it had also been decided that as soon as the draft audit paras were received, the draft para should be placed before the Chairman, and the full Board and answers prepared by calling the original papers, if necessary.

9.9. The Committee pointed out there were definite instructions as to how the audit paras and audit objections were to be dealt with and enquired the steps that had been taken in that regard. The Finance Secretary stated that senior officers had been nominated to deal with audit paras and audit objections. This practice of nominating officers had been started only recently.

9.10. The Committee desired to be furnished with further information on the following points:—

- (1) A detailed note showing the action taken on this draft audit para;
- (2) To what extent audit objections were attended to and disposed of (Finance Department).

The information furnished is at Appendix LI.

9.11. When the Committee pointed out that according to the original estimate, the project was to be completed by March, 1968, the Chief Engineer stated that the first unit had already been commissioned. The reasons for the delay were the change over from rubble work to concrete work, land slide and the delay in procuring cement. The Chairman, Kerala State Electricity Board stated that 50 per cent of the work had been completed and the remaining 50 per cent would be completed in another six months. The witness added that the exact position was that two machines were commissioned. The third one was also completed and was going to be commissioned by the 15th October, 1966. The other reason for the delay was that even the contract for equipment itself took a lot of time before it was finalised. According to the original schedule, the first unit ought to have been commissioned by the middle of 1965. It was postponed to the middle of 1966 because there was a delay of one year in finalising the purchase of the equipment from America. If

the rubble masonry had been used instead of concrete, the commissioning of the project would have been completed in 1968. By adopting the concrete instead of rubble, the Board had gained two years, otherwise it would not have been possible to commission the first set in 1966. The Chairman, Kerala State Electricity Board in reply to a question stated that the delivery period in regard to the equipments was kept up, but erection was delayed.

9.12. The reply to a question whether placing of the order with the American firm for the supply was not the cause of delay, the witness replied "No". He added that the delivery "period was kept up. But we could finalise it only in 1966; naturally the delivery will be only in 1968."

9.13. The Committee desired to know the level at which the decision was taken to revise the estimate from Rs. 24.90 crores to Rs. 35.30 crores. The Chairman, Kerala State Electricity Board informed the Committee that the decision was taken by the Board in consultation with the Central Water and Power Commission. In reply to a question, the Joint Secretary, Ministry of Finance, Government of India stated that in the matter of details the Board was competent to take the decision within the funds that were available. Explaining further, the witness stated that in the case of major irrigation and power projects there was a Technical Advisory Committee consisting of representative of the Central Water and Power Commission, Ministry of Irrigation and Power, Planning Commission and the Ministry of Finance. The original scheme had to be cleared by that body and the escalation in cost, if any, had also to be cleared.

9.14. In reply to a question, the Secretary, Public Works Department stated that the procedure that had so far been followed in the Electricity Board in respect of revision of estimates was that the Board had not referred the matter to the State Finance Department. When the revised estimate as advised by the Board of Consultants came up to the Electricity Board, the Board sanctioned the estimates and the revised estimates were sent to the C.W.P.D. though the Government. At that stage the technical revision was normally accepted without any scrutiny. In reply to a further question, the witness stated that it would not be possible to make sufficient examination at the Secretariat (of such cases).

9.15. The Joint Secretary, Ministry of Finance Government of India stated that the Finance Secretary was a representative of the State Government on the Board. It was his duty to see that the scope of the work was not expanded. If due to unavoidable reasons

the scheme was not progressing and the design had to be changed funds had to be found so long as there was no change in the scope of the project. In reply to a question, the witness stated that in the case of the Electricity Board the amounts that were granted to the Board by the State Government were included in the State Budget and placed before the Assembly and was discussed in the Legislature. The Secretary, Public Works Department stated that in the case of Kerala State, the State Electricity Board was completely in charge of the hydro-electric project.

9.6. Explaining further the Joint Secretary, Ministry of Finance stated that generally no major variation in power and major irrigation projects could take place without the C.W.P.D. being closely connected with the matter. In actual practice, there was delay in getting the revised estimates formally cleared. If the rules were followed and the revised estimates were sent to the Technical Advisory Committee, the Finance Ministry would scrutinise the matter. The Committee desired to be furnished with further information on the following points:

- (1) At what level a decision was taken in this case in regard to the extra cost of Rs. 11 crores;
- (2) What were the reasons for this decision.

The information has been furnished and is at Appendix LI.

9.17. In reply to a question regarding tenders, the Chairman, Kerala State Electricity Board stated that in all cases, the lowest acceptable tender was accepted. If the lowest tenders were not accepted, there might be reasons which would be recorded. The witness added that the cost of the imported equipment in this case was Rs. 9 crores.

9.18. The Committee desired to be furnished with further information on the following points:

1. Statement showing cases where lowest tenders were not accepted with reasons therefor.
2. Statement showing cases where after award of contracts there was difference in rates etc. from those shown in tenders.
3. What was the break up of rates.
4. A statement showing cases of contracts awarded as "Special cases".

The information furnished is at appendix LI.

9.19. The Committee find from the notes furnished that the original estimate of Rs. 24.90 crores sanctioned in February, 1961 has now been revised to Rs. 36.40 crores. The approval of the Central Electricity Authority and the State Government to the revised estimate is still awaited. The Committee cannot but express their deep concern at the steep rise in the estimates from Rs. 24.90 crores to Rs. 36.40 crores which comes to Rs. 11.50 crores (i.e. 46 per cent). In view of this as also the various irregularities brought out in the subsequent paras pertaining to the transactions of the Electricity Board, the Committee desire that Government should undertake a proper investigation and fix responsibility.

9.20. The Committee suggest further that as far as practicable a procedure to obtain the financial and technical sanction for project estimated or revised estimates before hand should be followed.

9.21. With regard to the landslips the Committee find from the investigation report that:

“It appears that excavations for the tail race rendered the slope unstable which resulted in the slipping of soil. During the process a huge boulder is reported to have slid down which must have been responsible for the instability of the soil resulting in subsoil flow also.

The joints dipping into the tail race channel may also have favoured the slipping. The removal of fines from the subsoil during heavy rains may have also contributed to the slips. The vibrations set up by blasting in the power tunnel and the tail race channel excavations must have gradually promoted the instability of the soil slope.”

9.22. In view of these disclosures, the Committee would like the State Electricity Board as well as other Departments concerned to issue instructions to officers concerned to ensure that all possible steps and precautionary measures are taken to prevent such accidents due to negligence or defective design etc.

9.23. The Committee find from the note furnished by the Finance Department (Appendix LI) that detailed orders and instructions have been issued by the State Government from time to time about the financial control and dealing with Audit objections. The Committee find from the note furnished that although the draft Audit para was received by the Board *vide* A.G.'s letter dated 13th May, 1965, the matter has yet to be finalised, in this case. They regret to note the failure of the State Electricity Board to give prompt attention to the draft Audit para. They trust that such lapses will not recur.

(a) *Extra expenditure on account of termination of contracts and retendering of balance works.*

9.24. In respect of two works "levelling site for transformer yard, etc." (value of contract: Rs. 5.12 lakhs) and "cutting and forming penstock tracks" (value of contract: Rs. 5.62 lakhs) awarded to two contractors in September, 1961 and February, 1963 respectively, the quantities of certain items of work to be executed exceeded those specified in the agreements. There was a specific provision in the agreements to the effect that quantities mentioned therein were only approximate and that the contractors had to execute the entire work at the agreed rates. But the contracts were terminated as per orders of the Chief Engineer before completion of the Works on the contractor's representation in the former case and due to large variations from the estimated quantities of work in the latter. The execution of the balance quantities on the basis of retender involved payment at higher rates resulting in extra expenditure of about Rs. 0.65 lakh to the Board on the quantities executed and paid for upto January, 1965 and December, 1964 respectively.

9.25. Explaining the position in this case, the Chairman, Kerala State Electricity Board stated that according to the original tender the quantity of work that was to be executed was 9.8 lakhs cft. of earth work and 11.85 lakhs cft. of rock excavation for levelling the site of the transformer yard. Actual quantity of work that was done by both the contractors was 31 lakhs of earth work and 23.6 lakhs of rock excavation. The increase in the quantity of work was due to the fact that the switch yard was lowered by 26 feet because of landslide. The extra cost on this work was Rs. 30,987.

9.26. In reply to a question, the witness stated that the first contractor had done 15.4 lakhs of earth work and 9.66 lakhs of rock work. Thereafter he did not continue the work. The work was re-tendered. The Accountant General, Kerala informed the Committee that on retender, the work was given to the same contractor. On being asked as to why a higher rate was allowed, the Chairman, Kerala State Electricity Board stated that the contractor had represented that the extra quantities of the work at the transformer yard could not be done at the agreed rates. In view of that fresh tenders were invited.

9.27. On being pointed out that there was a provision in the agreements to the effect that the quantities mentioned were only approximate and the contractors had to execute the entire work at the agreed rates, the witness stated that "Usually it is a clause which is not in-

sisted upon..... In all the agreements that is put as a general condition..... The contractor must be prepared to do any quantity of work at the same rate”.

9.28. In regard to the contract relating to the cutting and forming penstocks tracks; the witness stated that the Chief Engineer had given orders for terminating the contract because the probable amount of the contract went up. As such, the work was retendered.

9.29. The Committee are not convinced with the arguments advance for allowing a higher rate to the contractor in view of the fact that on retender the work was allotted to the same contractor. Therefore, the extra cost involved in this case was avoidable.

9.30. As regards the provision in the agreement as mentioned in the Audit Report, that quantities mentioned were only approximate and the contractors had to execute the entire work at agreed rates, the Committee are surprised to be told that “usually it is a clause which is not insisted upon”. They deprecate such a practice and desire that it should be given up. In this connection the Committee would like to invite attention to their observation made in paras 7.19 and 7.20 of their 47th Report (Third Lok Sabha).

(b) *Extra expenditure for procuring sand for a dam works.*

9.31. According to general specifications of tenders invited in July, 1960 for the construction masonry dam across a river, the Board was to erect by about the end of December, 1960 two stone crushers of 6 ton capacity per hour for use by the contractor. The hire charges recoverable were Rs. 3,960 per crusher per mensem for production of crushed sand, the operation of the crushers being the responsibility of the contractor. Till the erection of crushers the contractor was required to collect natural sand from nearby sources and use it for the work with no claim for extra payment. The crushers ordered for in March, 1960 were received only in February, 1962; their commissioning was delayed till November, 1962 owing to operational troubles. Meanwhile in January, 1961, the Board awarded the dam work to a contractor on the basis of the tender and concluded an agreement in February, 1961 retaining the time schedule for erection of the crushers without any modification. The following cases of extra expenditure aggregating Rs. 2.62 lakhs were noticed in the working of this part of the contract:—

Particulars of extra expenditure	Amount (In lakhs of rupees)
1	2
(i) During October, 1961 to November, 1962, the contractor used 1,80,000 cft. of natural sand quarried from	

nearby sources. In June, 1962, the contractor claimed an extra payment at the rate of Rs. 105.35/100 cft. for the use of natural sand instead of crushed sand and the Chief Engineer allowed the claim (January, 1964) at Rs. 34.40/100 cft. justifying this as a "legitimate claim" on the ground that the construction of the dam would not otherwise have progressed. But the payment was not covered by the terms of the contract

o'62

(ii) According to the Board (November, 1962) the two crushers erected were working satisfactorily and to their rated capacity (6 ton per hour). But the contractor, after operating the crusher from November, 1962, claimed in June, 1963 extra payment for crushed sand on the ground that the crushers erected were not working efficiently and to the desired capacity. The Chief Engineer allowed (January, 1964) the claim for extra payment of Rs. 41.09/100 cft. of crushed sand produced and used by the contractor upto the end of October, 1963. This amounted to Rs. 90,398 on 2,200 units of sand

o'90

(iii) On 1st November, 1963 the Board took over the operation of the two crushers themselves as the contractor was not willing to continue their operation. Sand was thereafter processed and issued by the Board by employing these two and another three more crushers which had been erected by the Board between December, 1962 and May, 1963. The rate of recovery from the contractor was fixed at Rs. 46.24/100 cft. of crushed sand based on departmental data which did not take into account the actual working expenses but only the cost provided for in the original estimate and the tender variation. This entailed non-recovery of expenditure of about Rs. 44,300 for one year being the difference between actual expenditure and amount recovered (November, 1963 to October, 1964). This arrangement was continued till December, 1965 (date of completion of the dam).

o'44

(iv) In January, 1964 when some of the crushers went out of order for want of spares, an arrangement was made with another contractor as a temporary measure upto April, 1964 for the supply of crushed sand. This contractor was paid by the Board at Rs. 75/100 cft. (the rate claimed by him) on the total measured quantity of 1,141 units. However, the sand was issued to the contractor by the Board at the low rate of Rs. 46.24/100 cft. and that too after allowing a deduction of 232 units for bulkage. This together with the transport charges (Rs. 22,546) borne by the Board resulted in an extra expenditure of Rs. 66,082

o'66

9.32. Explaining the case, the Chairman, Kerala State Electricity Board stated that the crushers were expected to be erected by the end of December, 1960. Till the erection of the crushers, the contractor was required to collect natural sand from nearby sources and use it for the work with no claim for extra payment.

9.33. The crushers were ordered in March, 1960 which were received only in February, 1962. In reply to a question, the witness stated that the delay was on the part of the Board. Erection of crushers by the Board was in the agreement. The Board wanted crushers with a capacity of 18 tons per hour.

9.34. The Committee referred to the extra expenditure of Rs. 90,398 for 2,200 units of crushed sand and enquired whether any claim had been preferred against the suppliers for the defective crushers supplied by them. The witness stated that the claim had been preferred but it was still under correspondence. The Chief Engineer further added that the consequential losses on account of delay were due to the contractor. The legal aspect of recovering the amount had been examined.

9.35. The Committee desired to be furnished with a note showing as to what was the amount of claims preferred against the suppliers for the defective crushers supplied by them and the date on which it was noticed that the machine was defective.

9.36. In regard to the non-recovery of Rs. 44,300 the Chairman, Kerala State Electricity Board stated that the Board had failed, to give the crushers as per agreement. The Secretary, Public Works Department added that the crushers supplied by the Board did not work upto the full capacity. Additional rates were given for the defective working of the crusher. So it could not have an impact on the recovery rate of sand.

9.37. In reply to a question, the Chief Engineer stated that the hire charges for the Machinery had been recovered. The Chairman, Kerala State Electricity Board added that on 1st November, 1963, the Board took over the working of the crushers and the rate was recovered from the contractor. There was extra cost because of the defective working of the crushers even after the Board took over the crushers.

9.38. In reply to a question the Secretary, Public Works Department stated that if the contractor had operated the crushers, he would have got the sand at Rs. 46.24 for 100 cft. The value of the sand supplied by the Board also came to Rs. 46.24. The rest of the amount was in respect of the work such as rubble, fixing, painting

etc. That had been done. Additional cost, if any was to be paid by the Board. The Accountant General, Kerala informed the Committee that according to the contract the crushers were to be operated by the Contractor at his expense.

9.39. The Committee referred to the extra expenditure of Rs. 66,082 and enquired whether it was the responsibility of the Board to supply crushed sand to the contractor at the low rate of Rs. 46.24 for 100 cft. The Chairman, Kerala State Electricity Board stated that it was the responsibility of the Board to supply sand because the Board did not want to delay the progress of work. During the four months of 1964, 10 lakhs of cft. Masonry work was done for which 4.25 lakhs cft. of sand was used. With the defective crushers only 1.75 lakhs cft. of crushed sand could be got and there was a deficiency of over 2.5 lakhs cft. of sand. The work of the Pamba dam would have been stopped, if the sand was not got from some other source.

9.40. On being asked about the basis on which the rate of Rs. 75 for purchase of sand from a Company was fixed, the witness stated that the quotations were invited and it was found that the cost of the sand was high because sand had to be brought from 70 or 80 miles away. The quotation received was about Rs. 110. This particular company had agreed to supply sand at Rs. 75. In reply to a question, the witness stated that Rs. 46.24 was arrived at from the unit rate of the contractor.

9.41. In reply to a further question, the witness stated that the contractor had tendered at the rate of Rs. 178 for 100 cft. of masonry work. 42.5 cft. of sand was required for 100 cft. of masonry work. The cost of sand according to the departmental data came to Rs. 18.89 for this 42.5 cft. to sand and for 100 cft. of sand the cost worked out to Rs. 44.46. These rates were the sanctioned scheduled rates which were being followed by the P.W.D. and Board. These rates were based on the cost of material and labour.

9.42. On being pointed out that in terms of the tender, the Board were to supply sand at the scheduled rate, the witness stated that according to the agreement the Board had to erect the crushers. On the basis that the crushers would crush 6 tons of sand per hour, the contractor had given the tender which was accepted by the Board. Because of the defective working of the crushers, 6 tons of sand per hour could not be crushed.

9.43. In reply to a question, the witness stated that as a technical member of the Board he had looked into the matter and there was undue benefit to the contractor.

9.44 The Committee note from the written note (Appendix LI) furnished by Department that a sum of Rs. 33,599.38 has been recovered from the suppliers of stone crushers. The Committee cannot observe that the amount recovered from the suppliers *viz.* Rs. 33,599.38 is small when compared to the extra expenditure of Rs. 2.62 lakhs which had to be incurred by the Department due to defective working of the crushers. They have also been informed that no other amount has been claimed from the Company.

9.45. The Committee also find from the written note that after rectification of defects by the Service Engineer of the Company and after trial runs, the Superintending Engineer, Dams Circle, Pamba reported on 20th October, 1962 that the defects noticed on the crushers had been rectified. But during operation by the Contractor of the crushers from November, 1962 onwards defects were noticed and reported to the Chief Engineer. It appears to the Committee that the trial runs and examination of the crushers were made by the officers perfunctorily.

(c) *Loss on account of supply of wood to contractors.*

9.46. In terms of the agreements executed during 1960-61 and 1961-62 with four contractors for the construction of buildings, the Board was to supply jungle wood logs at Rs. 2.50 cft. The logs were obtained from the forest department on payment of value at Rs. 2.50 cft. and issued to the contractors. In three of these cases, the Board later entertained claims for wastage allowance aggregating Rs. 7,047 on account of poor quality of logs, although the Forest Department had not given any such allowance in settling their claim with the Board. In the fourth case 4,560 cft. of logs out of 10,675 cft. issued to the contractor during 1960-61 and 1961-62 were returned by him as deteriorated and unserviceable in March, 1962, these were accepted and auctioned by the Board incurring a loss of Rs. 11,135.

9.47. Explaining the position, the Chairman, Kerala State Electricity Board stated that this case referred to the construction of Pamba Dam colony. The Forest Department was clearing the area and the Board had to take all the timber and had to make payment at the over all rate of Rs. 2.5 per cubic feet charged by the Forest Department as per the Government order. Hard and good timber was to be given to the contractors for sawing and using for the works as per agreement.

9.48. The Committee feel that the Board should have taken up the matter with the Forest Department if the wood logs originally supplied to the Board was of poor quality. Moreover, if hard and good

timber was to be given to the contractors for sawing and using for the works as per agreement, timber of the requisite quality only should have been made available to the contractor after proper check, in which case the question of the contractor returning deteriorated and unserviceable timber would not have arisen. This aspect of the matter needs further looking into.

(e) Loss due to splitting up of contract for driving of power Tunnel.

9.49. Although tenders were invited for the work as a whole (January, 1961), the work was split up on grounds of expediency and speedy execution of the power tunnel and awarded to two contractors in July, 1961, the inlet portion upto 8,000 feet to one contractor whose tender was the second lowest (the lowest tender was rejected on grounds of inexperience of the tenderer) and the balance to another contractor whose tender ranked the fifth lowest. This was done despite protests from the former who had to his credit satisfactory record of tunnel driving in other divisions. The award of part of the work to the latter entailed a loss of about Rs. 21.64 lakhs on quantities executed and paid for upto January, 1965 computed with reference to the lower offer of the former.

9.50. Although the work on driving of the power tunnel was completed by December, 1964, the other works necessary to bring it into use are scheduled to be completed only by December, 1965. The incurring of the extra expenditure in the interest of speedier execution is, therefore, not justified.

9.51. The Committee desired to know the basis on which the Board came to the conclusion that the second lower contractor would not be able to complete the entire work in time. The Chairman, Kerala State Electricity Board stated that the second contractor did not have the organisation and the mechanised tools and plants as the fifth contractor. The length of the tunnel was about 19,000 ft. and in addition to that there was a surge shaft. The work was therefore, split up between the two contractors. A work of 8000 ft. was given to one contractor and other portion to the other contractor. In reply to a question, the witness stated that the lower tenderer did not have the experience in the tunnel work and the other contractor had experience. The Secretary, Public Works Department added that experience of the tunnel work was one of the condition of the tender.

9.52. In reply to a question, the Chairman, Kerala State Electricity Board stated that the lowest tenderer who was discarded for want of experience now had a contract for Rs. 94,000.

9.53. The Committee feel that awarding the contract in July, 1961 after splitting it up on grounds of expediency and speedy execution has not proved to be justified in this case, as it had entailed extra expenditure of about Rs. 21.64 lakhs. The lowest tender was Rs. 153.63 lakhs and the second tender was Rs. 175 lakhs. Moreover, if the splitting up of the work between more than one parties was considered necessary on grounds of expediency, the tenders should have been invited accordingly, instead of for the work as a whole:—This is a case of violation of the sanctity of tender system. The Committee suggest that this matter should be thoroughly investigated.

9.54. (f) *Infructuous expenditure*
Particulars

Amounts
(Rs. in lakhs)

- (i) Though a change in the location of the power house site was decided upon in July, 1959, the the construction of a road (13-1½ miles long) leading to the original site which was begun in June, 1958 was continued and completed in May, 1962 incurring in all an expenditure of Rs. 7.16 lakhs (Rs. 4.52 lakhs after July, 1959). The road was widened during May, 1961 to April 1962 incurring further expenditure of about Rs. 2 lakhs. The entire road is of no use to the Board and stands abandoned.

9.16

9.55. Explaining the position in regard to the construction of a road, the Chairman, Kerala State Electricity Board stated that originally the power house was to be by the side of the Pamba river. Thereafter on the advice of the Central Water and Power Commission, the location of the power house was changed on 24-8-1960. Construction of the jeep road was finished by 1959. Thereafter the work was stopped. Again in 1960 widening of the road was taken up to enable the exploitation of timber by the Forest Department.

9.56. The Committee feel unhappy to note that although the change in the location of the power house site was decided in July, 1959, the work relating to the construction of a road leading to original site was completed in May, 1962. If the road was needed for exploitation of timber by the Forest Department, the matter should have been taken up with that Department and the expenditure debited to them.

- 9.57. (ii) An expenditure aggregating Rs. 66,085 upto December, 1961 was incurred for excavation of earth for building quarters near the flanking dam. This expenditure proved infructuous as the quarters had to be constructed at another site due to the original

site being affected by the location of the spillway on the flanking dam which was decided only in December, 1961. 0.66

9.58. Explaining the position in regard to the expenditure of Rs. 66,085 incurred in respect of excavation of earth for building quarters near the flanking dam, the Chairman, Kerala State Electricity Board stated that according to the original project report the spillway was on the Kakki dam itself. When it was changed into concrete structure, it was decided that instead of on the dam itself the spillway should be shifted to the right hand side of the dam. The decision to shift the spillway was taken in November, after the inspection by Board of Consultants who suggested the change.

9.59. The Committee regret that an expenditure of Rs. 66,085 had proved infructuous owing to the shifting of the spillway. The Committee would like the Government to enquire why the inspection by the Board of Consultants could not be arranged earlier, before the work of excavation of earth was undertaken.

Extra expenditure—Para 96—Page 104.

9.60. The lowest tender for the transport of materials to the Dams Circle of a Hydro-electric Project for the period from the 1st April, 1965 to 31st March, 1966 was recommended to the Kerala State Electricity Board for acceptance by the Chief Engineer (Civil) on 25th March, 1965, 15 days after opening of the tenders. The concurrence of the Board for accepting the tender was given on 29th April, 1965 and the contractor started the work on 25th May, 1965. Meanwhile the transport of materials (for a part of the year 1965-66) was arranged through the contractor for 1964-65. This resulted in an extra expenditure of Rs. 32,838 based on the difference between the two rates on the quantities of materials transported by him till the work was taken up by the new contractor.

9.61. The Committee desired to know the reason as to why the tender could not be accepted before 1-4-1965. The Chairman Kerala State Electricity Board stated that the tender was invited for transfer of materials from different stations during 1st April, 1965 to 31st March, 1966. Cement was one of the items to be transported from Theni Railway Station for which there was already a contract with a contractor. So cement was not included in the contract. In reply to a question, the witness stated that the Chief Engineer had sent the tender for approval before it was finalised. The Committee pointed out that the previous contract expired in March, 1965 and the concurrence was communicated only in April, 1965. The Secretary,

Public Works Department stated that there was some delay in communicating the concurrence.

9.62. The Committee do not find any justifiable reasons for the delay in recommending the acceptance of tender by the Chief Engineer as well as in communicating the concurrence of the Board to the recommendation of the Chief Engineer. This unconscionable delay has resulted in an extra expenditure of Rs. 32,838. The Committee desire that Finance Department should issue instructions to all Departments that firm decisions about acceptance of tenders should invariably be taken and communicated to all concerned, will in time before the date of commencement of work.

Sholayar Hydro-Electric Project—Para 97—Pages 104—108.

9.63. Another Hldro-Electric Project was sanctioned by the Board in January, 1960. The construction of the main dam was started in November, 1960. The project which was scheduled to be completed by end of 1964 had not yet been completed till February, 1966.

Some particulars of the Project are given below:—

	(In lakhs of rupees).
(a) Cost of Construction	
Original estimate (January, 1960)	4.32
Revised estimate (May, 1965)	6.50
Actual expenditure (upto the end of March, 1965)	5.70
The increase in the estimated cost was attributed mainly to: —	
(i) Increased cost of main and flanking dams owing to changes in the design and deeper foundation withstand seismic forces which were noticed in the vicinity through the occurrence of earth tremors, increased cost on account of haulage and sand over a distance of 40 miles not originally anticipated, provision of hoist bridge and protective works, increased cost of labour and material, etc.	1,33.50
(ii) Provision of a cable-way	7.00
(iii) Construction of additional colony buildings near Power House found necessary during execution of the Project	6.00
(iv) Increased estimated cost of Power House Building and appurtenant works on finalisation of designs (includes cost of labour and materials)	20.00

		(In lakhs of rupees)
(v)	Lump sum provision in the original estimate for electrification, supply of power and water, sanitation, etc., proving insufficient	12.75
(vi)	Increased cost of roads and bridges owing to increase in length of roads, strengthening of bridges and culverts, etc.	13.00
(vii)	Increase in the cost of supervision and contingency	6.30
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(b) Power targets and return on capital investment		
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	Target to generation of power (in mil- lion units)	Return of capital in- vestment (excluding interest charges)
<hr/>		
Original estimate	360	13.90 per cent
Revised estimate	335	8.13 per cent.
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9.64. The shortfall in the estimated revenue return according to the revised estimate is attributable to the upward revision of the estimated cost and a decrease in the power potential.

(c) Delay in completion of the Project.

9.65. One out of the three generating units of the Project was expected to be commissioned in January, 1964 and the Project as a whole was scheduled to be completed by the end of 1964. But according to a tentative forecast made by the Board's Executive Engineer in June, 1965, the first generating unit would be commissioned by the end of December, 1965 and the Project as a whole would be completed by September, 1966. The delay was attributed to delay in the delivery of machinery and equipment by supplier firms.

9.66. The Committee desired to know whether any one of the three generating units of the project had been commissioned. The Chairman, Kerala State Electricity Board informed the Committee that one machine had been commissioned. Only parts of the other two machines had been delivered but it was not known as to when the machine would be delivered completely. It was expected that

by the middle of 1967, the machines would be commissioned. On being asked about the penalty imposed on the suppliers for the delay in the delivery of machines, the witness stated that according to agreement, there was a penalty of 1 per cent on the cost for late delivery. But a final decision in this regard could be taken only after the two machines were received.

9.67. The Committee referred to the revision in the estimates from Rs. 4,32 lakhs to Rs. 6,50 lakhs and enquired the reason for the decrease in the power potential of the project by 25 million units even though the estimated cost had increased by 50 per cent. The witness stated that there was no decrease in the power potential. On being asked whether the power potential would increase with the increase in the estimated cost, the witness added that there would not be any increase in the Power Potential.

9.68 The Committee note with regret that although the project as a whole was scheduled to be completed by the end of 1964, owing to the delay in the supply of machinery, it was expected that the machines would be commissioned (by the middle of 1967). The Committee desire that the question of imposing penalty for the late delivery of machines should be taken up at the appropriate time.

9.69. It is rather unfortunate that there is an increase of about 50 per cent in the estimated cost (Rs. 4,32 lakhs to Rs. 6,50 lakhs) as a result of which there would be a decrease in the return on capital investment. The increase in the revised cost has been partly due to the original estimates being faulty and partly due to the delay in completion of the project due to late supply of machinery.

(b) Extra expenditure owing to delay in supply and erection of a cable-way and its going out of commission.

9.70. (i) When the contract for the construction of the dam was awarded in August, 1962, it was proposed by the Board to erect a cable-way estimated to cost Rs. 7 lakhs at the dam site by December, 1963 for the conveyance of construction materials. The cable-way which was due to be supplied by a firm by November, 1962 according to the terms of the supply order placed on it in June, 1962 was actually supplied in complete shape by September, 1963 and it was erected at the site by the end of February, 1964 only. Consequently, the cable-way could be commissioned in March, 1964 only. In the meantime, as agreed to with the dam contractor, the masonry work for the dam was proceeded with, without the use of cable-way incurring extra expenditure of about Rs. 1.28 lakhs on account of

enhanced rates for such masonry work and charges for 'lift' above a specified height for the period December, 1963 to February, 1964.

9.71. (ii) The cable-way broke down within two weeks of its commissioning, and even after repairs it was subject to frequent breakdowns owing to, it is stated, poor quality of the equipment supplied. The Board has incurred an expenditure of about Rs. 42,800 up to May, 1965 for repairs and replacements to the cable-way. The further additional expenditure incurred on account of extra payments to the dam contractor for execution of his work without the use of cable-way during the periods of its breakdown upto February, 1965 aggregated Rs. 45,176.

9.72. Though these losses were attributable to belated and defective supply of the cable-way, no amount had been recovered from the supplier firm up to February, 1966.

9.73. The Committee desired to be furnished with a written note on this sub-para. which has been submitted (Appendix LI).

9.74. From the note it is seen that in terms of the order, the cable way was to be supplied by the firm by 10th November, 1962. The agreement with the firm contained the penal clauses for delay/defects in supply. A sum of Rs. 1,91,184 are recoverable from the suppliers. The matter was taken up with the suppliers on 4th July, 1965. The amount due to the firm on the cableway supplied to the Sholayar Project, an amount of Rs. 1.148 lakhs including their security deposit is withheld pending decision of this issue. In addition, Rs. 0.982 lakh on account of other supplies made by the firm have also been withheld. It has been stated in the note of that the question as to how much amount can be recovered from the firm in terms of the agreement is being decided in consultation with the Legal Adviser of the Board. Further payment will be made to the firm only after this question is decided.

9.75. The Committee consider this to be a bad case of failure on the part of suppliers which has resulted in considerable extra expenditure. They would like to be apprised of the final action taken in this case.

(c) Payment outside the terms of contract.

9.76. (i) The work of transportation of penstock pipes, specials, etc., from Palluruthy and Cochin to the pipe dump (estimated value of contract: Rs. 0.66 lakh) was awarded to a contractor in December, 1963 by the Superintending Engineer. At the contractor's request the Special Chief Engineer agreed in June, 1964 to reimburse

to him the cost of insuring the pipes and specials against transit risks. The Executive Engineer accordingly paid Rs. 23:078 to the contractor in June, 1964 for the insurance policy already taken by the contractor in March, 1964 on its being endorsed in his favour. As any loss to the Board on account of pipes and specials lost or damaged in transit was to be made good by the contractor according to the terms of the contract, the incurring of the expenditure by the Board on insurance was unnecessary and beyond the terms of contract.

9.79. (ii) The contract for construction of a Power House building at Anakayam Valley (Estimated value of contract: Rs. 18:72 lakhs) was awarded by the Chief Engineer in September, 1962 to one who tendered the lowest. The terms of the agreement executed with him in October, 1962 provided for payments of the cost of steel used in excess of the estimated quantity for R.C.C. work. The rate provided in the agreement for departmental issue of steel was Rs. 45 per cwt. In May, 1963 while accepting running payment the contractor demanded that he should be paid Rs. 60 per cwt. to cover conveyance, bending and tying of the excess quantity of reinforcement rods. This was allowed by the Chief Engineer in February, 1964. The extra payment amounted to Rs. 6,117 on quantities executed and paid for up to December, 1964. This was outside the terms of the original contract.

9.80. The Committee desired to know as to why the Board had agreed to reimburse the insurance charges when the transit loss was the responsibility of the contractor according to the contract. The Chairman, Kerala State Electricity Board stated that the probable amount of the whole work was about Rs. 66,000. The contractor had to take pen stock pipes from the factory to the work site. The departmental cranes were also used at three places. The Chief Engineer had asked the contractor to insure. Unloading and other works connected with the transportation of pen stock pipes etc. were done by the departmental staff. If anything had happened, it would not have been possible to recover the loss from the contractor. It was thought that it would be better to cover the entire machinery under a comprehensive insurance. Therefore the contractor was asked to insure against the risk. In reply to a question, the witness stated that the agreement was entered into on 4-10-1963. The Secretary, Public Works Department added that according to the contract, the insurance charges were not payable by the Board.

9.81. On being asked whether there were internal financial checks, the Chairman, Kerala State Electricity Board stated that there was

the system of internal audit. This aspect had not been brought out by the internal audit.

9.82. The Committee have been furnished with the information on the following points:

1. Did the internal audit point out the defect?
2. If not, why not?

9.83. From the notes (Appendix LI) furnished at the instance of the Committee, it is seen that the Internal Audit has not objected to the payment in question. The reasons for not objecting the payment in Internal Audit is understood to be on the ground that there was no specific provision in the agreement that the contractor should insure the goods entrusted to him for transport.

9.84. The Committee fail to understand as to how the Board agreed to reimburse Rs. 23,078 to the contractor towards insurance when the transit loss was the responsibility of the contractor. Further, there was no specific provision in the agreement in regard to the reimbursement of the insurance charges. The Committee suggest that an enquiry should be conducted to find out the grounds on which the officer concerned recommended the reimbursement of insurance charges and suitable action should be taken for giving an unintended benefit to the contractor outside the terms of the agreement. They also suggest that the feasibility of recovering the amount from the contractor should also be examined. Similarly, the circumstances under which an extra-payment of Rs. 6,117 outside the terms of the original contract was made (as referred to in sub-para (ii) above) should also be properly inquired into.

Loss in supply of power to a bulk consumer—para 98—page 108.

9.85. Power is being supplied to a Company at sliding rates (from 2.058 Ps. to 1.563 Ps. per unit) agreed upon in 1940 which are far below the current average cost per unit (from 2.61 Ps. to 3.06 Ps.). Even though the Board could have negotiated for a revision of the rates in April, 1960 after the expiry of the term of 20 years specified in the agreement, legal advice on the question was sought only in January, 1964 and negotiations started with the Company in July, 1964. The continuance of this agreement without revision of the tariff rate has resulted in a loss of Rs. 2.67 lakhs during the four years ending 1963-64. The Legal Adviser has opined "that the grid tariff fixed by the Board from time to time will be binding on the Company also and that it is not entitled to question the same nor can it object to the levy of the tariff banking upon the provision of the

agreement". Final decision regarding the revision of tariff was awaited till February, 1966.

9.86. Explaining the position in this case, the Chairman, Kerala State Electricity Board stated that there was a firm agreement with a definite period of validity and the Board had no powers to change the agreement. The Secretary, Public Works Department added that the agreement would continue in force for a period of 20 years which would automatically continue as long as the Government was engaged in the production of electrical energy. In reply to a question, the Chairman, Kerala State Electricity Board Stated that the rates also could not be raised. The Secretary, Public Works Department further stated that originally the company had a station. After the construction of the first electrical station at Pallivasal by the Government, the Government persuaded the Company to give up their station and take the power from Pallivasal station at the fixed rates. The rates were on the basis of the agreement which could not be terminated by the Government. The question was examined after the audit had raised the point. It was found that although the rates were as a result of the agreement, the Board could get the grid tariff rates applicable to the Company by virtue of the provision in the Electricity Supply Act. The Company stated during negotiation that as far as they were concerned they had to make their own arrangements. The rates were not revised because the grid tariff rates did not allow revision of rates. Under the Electricity Supply Act there were regulations for the framing of grid tariff.

9.87. The Committee desired to be furnished with a note showing as to how much extra amount the Board would get after the revision of the tariff.

9.88. From the notes, (Appendix LI) it is seen that the issue of Grid Tariff Regulation under Section 79(h) of the Electricity (Supply) Act is pending the approval of the Central Electricity Authority from 6th October, 1966 and only after the Regulation was approved, the Grid Tariff can be fixed.

9.89. The Committee fail to understand as to why the revision of tariff was not taken up before April, 1960 when the terms of the agreement were to expire, especially in view of the fact that the Board has the statutory right to fix the grid tariff from time to time. The Committee regret to note that the legal advice was sought only in January, 1964 and the negotiations started with the Company only in July, 1964. It is unfortunate that the continuance of the agreement without the revision of the tariff rate has resulted in a loss of Rs. 2.67 lakhs during the four years ending 1963-64.

9.90. They hope that the Grid Tariff Regulation will be finalised quickly and the feasibility of charging the revised tariff with retrospective effect from 1960 will also be examined in consultation with the Legal Adviser.

Loss in the purchase of teak wood poles—Para 99—Pages 108-109.

9.91. In 1962-63, the Kerala State Electricity Board purchased 33,835 teak wood poles at a cost of Rs. 13.10 lakhs from two contractors for treatment in the Treatment Yard at Kundara and issue to various works. Following a departmental inspection conducted in March, 1963 special staff were deputed in 1963 for check-measuring the poles in stock. The check measurement of 1,955 new poles (without deducting the thickness of the bark) in stock costing about Rs. 75,000 revealed that poles of lower class had been classified as higher class on the basis of incorrect measurements recorded in the measurement books resulting in excess payment of about Rs. 3,600 to the contractors. It was also noticed that 593 poles (i.e. 30.3 per cent of poles check-measured) costing about Rs. 18,400 did not have the minimum measurements specified in the purchase order and were to be rejected. Further, out of 6,559 treated poles check-measured 3,103 poles did not have the required minimum measurements. The total loss sustained by the Board could not be assessed as the remaining poles already accepted were issued for works after treatment. The explanations of the officers concerned were called for by the Board in July, 1963; but final decision of the Board is still awaited (February, 1966).

9.92. Explaining the position in the case, the Chairman, Kerala State Electricity Board stated that the original investigation was started in March, 1963. The case had been entrusted to the police for investigation in May, 1966. The police investigation had not yet been completed and the responsibility had not been fixed.

9.93. The Committee desired to be furnished with a note explaining departmental action taken in this case (Appendix LI).

9.94. Explaining the position in regard in the Police investigation of the case, the Director of Vigilance Investigation informed the Committee that though the case related to 1963, it was referred to the police, on 21st June, 1966. From material before the police, it was seen that there had been malpractices of a serious nature. The enquiry would be finalised quickly. On being asked as to why the case was referred to the police only in June, 1966, even though the irregularity was noticed in March, 1963, the Chairman, Kerala State Electricity Board stated that the case was under departmental investigation. Certain experiments in regard to the shrinking of the Poles were conducted which also took some time.

9.95. The Committee regret to note that although the irregularity of a serious nature came to the notice of the Board in March, 1963, it took over three years to entrust the case to the police for investigation. They hope that on receipt of the finding of the police investigations proper action will be taken without further delay. They desire that suitable instructions should be issued to all Departments to ensure that such cases involving malpractices should be promptly reported to Police for investigation.

9.96. Various financial irregularities dealt with above indicate that the financial discipline in the working of the Kerala State Electricity Board is somewhat slack. The Committee suggest that Government should appoint a departmental Committee of three Secretaries (including the Finance Secretary) and the Accountant General to stream-line the financial procedures obtaining in the Board, so as to ensure that such irregularities do not recur in future.

X**FINANCE DEPARTMENT****Recoveries adjusted in the accounts in reduction of expenditure—
Para 16, Page 23.**

10.1. Under the system of gross budgeting followed by Government the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure. The Anticipated recoveries and credits are, however, shown separately in the budget estimates.

10.2. In 1964-65, the actual recoveries fell short of the estimated amounts by more than Rs. 1 lakh each in 12 grants; some of the important cases of short recovery from outside bodies/other Governments are indicated below:—

S. No.	No. and name of Grant	Amount (In lakhs of rupees)	Remarks
1	IX. Heads of States, Ministers and Headquarters Staff	1.60	Non-adjustment of amount recoverable from the Hindu Religious and Charitable Endowments Fund due to lack of funds (Rs. 0.94 lakh), non-remittance by the University of Kerala of amount recoverable on account of University Audit Branch (Rs. 0.35 lakh) and non-adjustment of amount due from the Government of India on account of Liaison Officer and staff due to non-receipt of demand statement from the Secretary Board of Revenue (Rs. 0.31 lakh).
2	X. District Administration and Miscellaneous	1.58	Non-adjustment of the cost of land acquisition staff against the Kerala State Electricity Board due to non-receipt of

S. No.	No. and name of Grant	Amount (In lakhs of rupees)	Remarks
			expenditure statement from the Special Deputy Collector (Land Acquisition), Kerala State Electricity Board (Rs. 0.96 lakh) and non-adjustment of cost of special staff for the acquisition of land for Railways and for Naval Armament Depot at Alwaye due to defects in the statements of expenditure received from the Special Deputy Collector, Mavelikara and the District Collector, Ernakulam (Rs. 0.62 lakh).
3	XXII. Agricultural	2.81	} Non-adjustment of the share of expenditure recoverable from the Indian Council of Agricultural Research, Indian Central Cotton Committee, etc., owing to non-receipt of the reconciled statements of expenditure from the departmental officers.
4	XXV. Animal Husbandry.	1.45	
5	XXXIII. Public Works	7.65	Shortfall in the amount received from the Central Governments as subventions from the Central Road Fund.

Grant No. IX

10.3. The Committee desired to know the nature and the amount recoverable as at the end of March, 1966 from the Hindu Religious and Charitable Endowments Fund. The Finance Secretary informed the Committee that the cost of the audit under Section 76 of the Madras Hindu Religious Endowment Act which had to be borne by the Department in the first instance and thereafter the cost could be recovered from the Hindu Religious and Charitable Endowments Funds. The total balance from 1st November, 1956 to the end of March, 1966 was Rs. 7,69,973.70 "i.e. without meeting the adjustments." There was only a minus balance upto the end of 1964-65. The balance as on 1st April, 1965 according to Audit was Rs. 43,870. So the amount to that extent could have been adjusted. The balance

as on 31st March, 1963 was Rs. 2,68,128 according to the unreconciled figures of the Department. The Commissioner, Hindu Religious Endowment Fund had addressed the Accountant General to adjust Rs. 1 lakh out of this amount. After the balance was reconciled, more adjustments could be made. In reply to a question, the witness stated that the entire cost of the audit staff which varied from year to year, had to be collected from the Fund. The entire expenditure had to be borne by the Trust.

10.4. The Committee referred to the two other cases relating to the University of Kerala and the Government of India and enquired the reasons for the delay in regard to the recoveries. The Committee also desired to know the steps taken to ensure prompt recoveries. The witness stated that audit cost had to be recovered from the University of Kerala under Section 33 of the University Act. The actual amount for 1964-65 worked out to Rs. 53,000 although the budget estimate was only Rs. 35,000. The Audit cost had been recovered. Adjustments were made at the end of the year.

10.5. The witness admitted that there was delay in regard to the recoveries from the Government of India. There was a defect in the system which had been rectified. Instructions had been issued to the Collectors to send half-yearly details. In reply to a question, the witness stated that the recoveries were on account of the salary of the special staff meant for the recovery of Income Tax arrears. Initially the amount had to be paid by the State Government and then recovered from the Government of India.

Grant No. X.

10.6. The Committee desired to know the steps taken to ensure that the demand statements were prepared correctly and in time. The Finance Secretary stated that the action was initiated by the Board of Revenue after getting a letter from the Accountant General. There was a defect in the system which had been rectified. The Board had issued instructions to send half-yearly statements. Statements showing the recoveries had been sent to the Accountant General on 1st July, 1966 and 5th July, 1966. Adjustment in regard to the Railways had been made. Regarding Naval Armament Depot, the adjustment had not been made. A letter had been sent to the Accountant General on 17th May, 1966.

Grant Nos. XXII and XXV.

10.7. Explaining the position in these two cases, the Finance Secretary stated that those amounts were reimbursements made by the Indian Council of Agricultural Research, Indian Central Coconut

Committee and various other Departments towards the schemes that were approved by them for Agriculture and Animal Husbandry Departments. After the close of the year, the accounts had to be reconciled by the Department with the Accountant General and the audit certificate had to be obtained and sent to these institutions and after their approval, the adjustments could be made. The witness further stated that the Audit had suggested that as soon as the audit certificate was issued, the requisite amount could be adjusted immediately from the deposits, if there was a plus balance in the deposit Account of grant received from the concerned institution. The Accountant General, Kerala informed the Committee that all arrears up to the end of 1962-63 had been adjusted.

10.8. The Committee regret to note the delay in regard to the recovery of the amount from the Government of India. They hope that with the instructions issued to the Collectors to send half yearly details, such delays in the adjustments and recoveries of the amounts will be avoided.

Grant No. XXXIII.

10.9. The Committee enquired whether the shortfall in the amount received from the Government of India as subvention was due to (i) incurring of expenditure on schemes not approved for financial assistance, (ii) incurring of excess of expenditure on schemes or (iii) non- rendition of statements of expenditure in time to the Government of India. The Finance Secretary informed the Committee that no scheme, for which financial assistance had not been approved by the Government of India had been undertaken by the State Government. As regards excess expenditure on schemes, the witness stated that there were many schemes and works, the expenditure on which had to be borne by the Central Road Funds. In regard to the statements of expenditure, the Department had been in correspondence with the Government of India for the release of funds but there had been some delay in obtaining audit certificate. Explaining the system, the Joint Secretary, Ministry of Finance, Government of India, stated that out of the proceeds of excise and customs duties on Petroleum, a certain amount was kept apart for the Central Road Fund and there was also a reserve over and above the General Fund, that was built up. 80 per cent of the General Fund went to the different States according to the consumption of petrol. 20 per cent was kept in the reserve fund. It had not been possible to find out the exact consumption of petrol by the State. The provisional payments were regulated on the basis of the total budgeted provision that was made in the Centre. The sanctioned roads could not be completed in one year. The difficulty was that the total expenditure of the State in a particular year did not get regulated to the total provision out of the Central Fund. He added

that a number of States had raised the point and he proposed to hold a discussion with the Ministry of Transport on the issue.

10.10. The Finance Secretary added that the State Government were to get Rs. 63,27,000.

10.11. The Committee hope that suitable steps will be taken by the Ministry of Finance, Government of India in consultation with the Ministry of Transport and settle the claim of the Government of Kerala as also of other State Governments expeditiously.

Arrears of revenue pending collection, para 79, pages 82—84

10.12 The arrears pending collection in 24 out of 25 major revenue earning departments as on the 31st March, 1965 aggregated Rs. 10.37 crores i.e. 12.82 per cent of the total revenue of Rs. 80.88 crores as shown below:—

Sl. No.	Name of Department	Major Head	Amount pending collection (In lakhs of rupees)	Earliest period from which outstanding	Remarks
1	2	3	4	5	6
1	Agricultural Income Tax.	Taxes on Income other than Corporation Tax	82.80	Prior to 1st April, 1950	Recovery proceedings are reported to be under various stages of action.
2	Motor Vehicles	Taxes on Vehicles.	84.19	Prior to 1st April, 1950.	In all cases where tax is due, action under Revenue Recovery Act is stated to have been taken for the recovery of tax.
3	Land Revenue	Land Revenue	1,75.67	}	Further details awaited from Board of Revenue.
4	Excise	Excise	38.42		
5	Sales Tax	Sales Tax	3,87.01		
6	Health Services	Medical and Public Health	6.28	1960-61	Recovery proceedings are reported to be under various stages of action.
7	Public Health Engineering	Public Health	52.57	1951-52	The arrears are mainly due from Municipalities, Animal Husbandry Department and Block Development Officers and relate mainly to cost of vaccine supplied, hospital stoppages from patients who left the hospital and supplies made to other departments by the Government Medical Stores, etc.
					The main item of revenue in default is the water charges due from the Municipalities of Ernakulam and Mattancherry (Rs. 43.87 lakhs).

1	2	3	4	5	6
8	Geological	Miscellaneous Social and Developmental Organisations	28.11	1957-58	The arrears included dues from Travancore Minerals Limited, Quilon M/s F.X.P. and Sons and Hopkin and Williams Limited, Chavara.
9	Local Fund Audit	Miscellaneous	5.88	1956-57	The arrears mainly relate to audit fee (Rs. 5.33 lakhs) due from the Hindu Religious and Charitable Endowment Institutions in Malabar.
10	Police	Police	5.26	1960-61	The arrears mainly consist of dues from Kerala State Electricity Board (Rs. 54 lakhs).
11	Jai's	Jai's	6.25	1958-59	Delay in return of in voices after acceptance by officers to whom the articles have been supplied.
12	Printing	Stationery & Printing.	9.46	1950-51	The bulk of the arrears is to be realised by book adjustment from sister departments like Text Books Branch of the Education Department which comes to Rs. 5 lakhs. The delay in settlement of the claims is due to the delay in acceptance of the invoices by the receiving departments.
13	Forest	Forest	106.67	1950-51	The old arrears are mainly in the form of loss on account of re-auction held at the risk and loss of the original bidders (for which Revenue Recovery proceedings have been initiated) and amounts to be realised from other departments, Government of India etc.
14	Transport	Road and water Transport Schemes	29.83		Details awaited from the Kerala State Road Transport Corporation.
15	Other Departments		27.02	1950-51	The arrears relate mainly to the Cooperative Department (Rs. 4.25 lakhs) Judicial Department (Rs. 3.50 lakhs), Public Works Department—Buildings and Roads Branch (Rs. 3.66 lakhs) Stationery Department (Rs. 3.78 lakhs) and Industries Department (Rs. 3.62 lakhs).

10.13. The Committee pointed out that according to Audit, the statement in regard to the Collection of arrears relating to the General and Irrigation Branch of the Public Works Department had not been received by the Audit so far and enquired about the extent of arrears relating to this Department as on 31st March 1966. The Finance Secretary, stated that the arrears as on 31st March, 1966 in regard to General and Irrigation Branch was Rs. 10.08 lakhs. On being asked whether the delay in furnishing the information was due to defective maintenance of Demand, Collection and Balance Register, the witness stated that the delay was not due to defective maintenance of the register. The Department was trying to chase the recovery from 25 major revenue earning Departments.

10.14. Explaining the position in regard to the collection of arrears, the Finance Secretary stated that the arrears in regard to Sales Tax had come down from Rs. 379.01 lakhs to Rs. 267.63 lakhs. The witness was not able to say how much of this reduction was due to write off and how much due to recovery. On being asked about the period of limitation, the witness stated that there was no such limitation when once the amount was assessed and the demand notices were issued. There might be limitations in regard to the assessments which might have to be finalised within a particular period. If the amount was not paid within six months, the Department would proceed against the party under Revenue Recovery Act. In reply to a question, the witness stated that instructions had been issued on 1st May 1964 to the Head of the Departments to report immediately to the concerned District Collectors any amount which had not been recovered within six months. On being asked about the actual impact of the instructions in regard to the recovery of arrears, the witness stated that the Head of the Departments were expected to furnish lists of demands; collections, arrears etc. to the Board of Revenue. There were certain lapses which were reviewed at the recent Conference of Collectors. The Collectors were requested to pay special attention to clear the old arrears and chalk out a programme for clearing of at least one fourth of the old arrears every quarter and to start work from October, 1966. The arrears related even prior to April 1950 in respect of certain Department.

10.15. In regard to the arrears the Finance Secretary stated that figures pertaining to land revenue came down from Rs. 175.07 lakhs to 117.55 lakhs, forests from Rs. 106.67 lakhs to Rs. 30.65 lakhs, Motor Vehicles from Rs. 84.19 lakhs to Rs. 44.28 lakhs, Agricultural Income Tax from Rs. 82.80 lakhs to Rs. 38.87 lakhs, Public Health Engineering from Rs. 52.57 lakhs to Rs. 42.26 lakhs, Excise from Rs. 38.42 lakhs to Rs. 31.72 lakhs, Geological Department from Rs. 28.11 lakhs to 27.92 lakhs. On being asked about the reasons

for heavy accumulation of arrears in regard to Motor Vehicles, the witness stated that they were due to the accumulation of old arrears.

10.16. Explaining further, the Deputy Transport Commissioner stated that the arrears of motor vehicles taxes for the period upto 31st March 1965 was Rs. 84.19 lakhs. As a result of the steps taken to collect the old arrears, the position as on 30th June 1966 was that out of Rs. 84.19 lakhs the balance has come down to Rs. 38.73 lakhs. Some arrears were disposed of by granting exemption, if it was due under the rule which had accounted for Rs. 27.64 lakhs. The actual collection during the period was Rs. 10.60 lakhs.

10.17. In reply to a question, the witness stated that the arrears of Rs. 84.19 lakhs included the arrears relating to the transport vehicles, such as buses, lorries and taxies and non-transport vehicles such as motor cars, motor cycles etc. The arrears as on 31st March 1965 in regard to transport vehicles were Rs. 64.97 lakhs and in regard to non-transport vehicles, the arrears were Rs. 19.22 lakhs. The balance now Rs. 26.73 lakhs in respect of transport vehicles and Rs. 12 lakhs in respect of non-transport vehicles. In reply to a question in regard to the arrears in respect of non-transport vehicles, the Finance Secretary stated that under the provision of the old Act, the moment a particular car was registered the demand would be automatically raised. That was why the amount appeared to be big, the difficulty would not arise when the new Act came into force.

10.18. In reply to a further question, the Deputy Transport Commissioner stated that the Current Revenue had not suffered because the concerned parties had been asked to pay arrears. Current taxes and arrears were realised separately. Demand, Collection and Balance Register was maintained for non-transport vehicles. The witness further added that the vehicles belonging to non-commercial departments were exempted from Government tax. In regard to Kerala State Road Transport Corporation the provision was that the Corporation had to pay the tax for the whole year in advance and they actually send a list of vehicles. The Department would assess the tax on that basis. The entire amount of Rs. 65 lakhs for 1966-67 had already been remitted and there were no arrears.

10.19. On being asked about the criteria on which the amounts were written off, the witness stated that the matter was referred to the Revenue authorities. If from the reports received from the Revenue authorities, the amount was found irrecoverable, then it was written off.

10.20. The Committee desired to know the reasons for the accumulation of Land Revenue. The Finance Secretary stated that the arrears in regard to the Land Revenue included other dues such as improvements under Land Conservancy Act and Land Assignment Act. The Basic Tax Act had prescribed a uniform levy of Rs. 2 per acre on all lands. There was no provision for exempting the private forests of Malabar area. The Land Tax Act was challenged and struck down by the Supreme Court. Now the Act was protected under the 9th Schedule of the Constitution. The question as to whether the tax could be levied on the private forests was under consideration. That was why the arrears had been increasing year by year. There were 8 lakhs acres of private forests in the Malabar Area and the demand would come to Rs. 15 to 16 lakhs.

10.21. In regard to the arrears relating to the Geological Department, the Secretary, Industries Department stated that there were two items which had accounted for about Rs. 27 lakhs, one of the items was in respect of dues from a private company which was wound up in October, 1960. Revenue recovery proceedings were taken against the company. Later on the Company has stated that they would surrender their assets in India to the Government. The agreement had been drafted and it was pending signature. The assets had been valued at Rs. 30 lakhs by a cost accountant of the Government of India. The Department had taken possession of the assets. The Secretary, Industries Department stated that an agreement was under contemplation that the Indian Rare Earth Limited would take over the entire assets and would pay royalty to the Government of Kerala.

10.22. Asked for the reasons for the draft agreement, the Industries Secretary stated that there was nobody to bid in auction. Adviser I to Governor informed the Committee that this matter was in respect of mineral sands, lamelite and monazite which were controlled by the Atomic Energy Department. It was the policy of Government of India that this should be run by them and so Indian Rare Earth was going to take over the assets.

10.23. The Committee pointed out that arrears of tax had been increasing year after year and enquired the steps taken in that regard. The Finance Secretary stated that in a recent conference, it was decided that in order to reduce the arrears and to collect the entire amount of arrears the heads of departments should make an intensive drive in this regard and draw up a programme for the collection of a minimum of 25 per cent of the old arrears in every quarter beginning from October, 1966. The heads of the departments should also ensure the collection of entire amount of arrears by the end of September, 1967.

10.24. The Committee regret to observe that the arrears of revenue pending collection relate even prior to April 1950 in respect of certain Departments.

10.25. They will watch the progress of realisation of arrears of revenue through subsequent Audit Reports with the hope that the recent drive initiated to liquidate the arrears by September, 1967 will bear fruit.

Mis-appropriation of Government Funds, stores, etc., para 128, pages 151-152.

10.26. (a) As at the end of September, 1965, final action was pending in 143 cases of mis-appropriation of Government money involving a total amount of Rs. 15.33 lakhs, as indicated below:—

	No. of cases	Amount * (in lakhs of rupees)
Cases outstanding as on 30th September, 1964	127	17.97
Cases reported during the period October, 1964 to September, 1965	45	2.02
Cases closed during the period October, 1964 to September, 1965	29	4.66
Cases outstanding as on 30th September, 1965	143	15.33

10.27. (b) Of these 143 cases,

- (i) 8 cases involving Rs. 1.30 lakhs have been outstanding for over 10 years;
- (ii) 22 cases involving Rs. 2.01 lakhs have been outstanding for over 5 years but less than 10 years; and
- (iii) 33 cases involving Rs. 7.92 lakhs have been outstanding for over 2 years but less than 5 years.

10.28. (c) The bulk of the cases relates to Public Works, Revenue, Education and Development Departments, as shown below:—

Name of Department	No. of cases	Amount (in lakhs of rupees)
Public Works	21	7.62
Revenue	29	1.43
Education	28	0.85
Development	10	0.42
Other Departments	55	5.01

10.29. (d) The present position of disposal of the outstanding cases is indicated below :—

	No. of cases	Amount (in lakhs of rupees)
(i) Cases in which departmental proceedings are in progress	132	14.18
(ii) Cases which are <i>sub-judice</i>	8	0.81
(iii) Cases which are under investigation by the Enquiry Tribunal	3	0.34

10.30. Recoveries amounting to Rs. 0.89 lakh have been ordered in 25 cases.

10.31. Explaining the present position in regard to the 143 cases of misappropriation of Government funds and stores, the Finance Secretary stated that in 28 cases disciplinary action had been completed. In 18 cases recovery of funds, etc. was pending. Action was in progress in 95 cases. Of the remaining two cases, one case related to the Central Government and the delay in the other case was due to clubbing of items. In reply to a question, the witness stated that 95 cases related to the period 1950-51.

10.32. In reply to a further question, the witness stated that it had been decided to conduct bimonthly review of these cases and also to hold discussion with the Heads of Departments, Secretaries to the Government and the Vigilance Officers. It had also been decided that the representative of the Finance Department would attend the meeting and go through the old cases.

10.33. The Committee regret to note that, out of 143 cases of misappropriation of Government funds and stores, etc. reported in the Audit Report action was still pending on as many as 95 cases which related to the period 1950-51 onwards. The Committee take a serious view of such delays. They desire that all the outstanding cases must be finalised early and report sent to the Committee.

Delay in finalisation of pension cases—para 132, page 155.

10.34. The rules of Government require that the pension papers of Government servants should be prepared by the administrative departments one year in advance of the date of their retirement and sent to the Audit Office so that the pensioner may be able to receive pension from the date of retirement.

10.35. Out of 3,549 pension cases received in the Audit Office during 1964-65, 2,402 cases were received after the retirement of the Government servants. Of these, 74 cases were received more than one year after retirement and 163 cases between six to twelve months after retirement.

10.36. 535 claims for pension and gratuity due to family members of deceased Government servants were received during 1964-65. There was considerable delay in submission of these cases to the Audit Office, as shown below :—

Extent of delay	Number of cases
More than 3 years	109
2 to 3 years	49
1 to 2 years	173
6 months to 1 year	86

10.37. In order to avoid delay in the submission of pension cases to the Audit Office, Government have issued instructions in April, 1965 that disciplinary action should be initiated against those officers who leave pension cases in arrears without sufficient reasons.

10.38. Explaining the position in regard to the submission of pension papers, the Finance Secretary stated that several measures had been taken to speed up the submission of papers in consultation with the Accountant General. The difficulties were in regard to the complicated rules relating to the service conditions etc. of the staff of the pre-integrated States. A special officer was appointed in November, 1963 to help the departments in locating those difficulties and also to help the Finance Department and the Accountant General. Thereafter the whole matter was investigated and instructions had been issued from time to time. It was decided on 1st August 1966 to place the experienced staff in charge of pension cases. In reply to a question, the witness stated that non-settlement of liabilities was one of the main hurdles in the settlement of pension cases. Instructions had been issued on 14th September 1966 to the effect that the Heads of the Departments should, after determining the liabilities report to the Accountant General how much amount should be withheld from the gratuity.

10.39. From the notes (Appendix LII) furnished at the instance of the Committee, it is seen that out of 3,549 cases reported in the Audit Report, only 6 cases are awaiting settlement as on 1st October, 1966. 5 of these cases relate to officers who retired from service and who are alive and whose pensions could not be settled due to fixation of liabilities. The 6th case relates to an officer who died while in service and who is reported to have no claimants.

10.40. Further it is also seen that out of 342 pension cases reported to Audit and awaiting settlement as on 1st October 1966 and other cases in respect of retirement for the period ending August, 1966 pending with the Departments only in 2 cases the claims of the retired officers could not be settled during their life time and consequently the widows had to apply for the pension.

10.41. The Committee are glad to note that only 6 pension cases out of 3,549 are pending finalisation. Further the Committee understand from Audit that the Government of India have issued certain instructions in June, 1966 requiring that the verification of service should be taken up in the 20th year of service or 5 years before retirement whichever is earlier and omissions, if any, noticed in the service records should be supplied and any orders necessary obtained at that time so as to obviate complications and delay at the time of retirement. The Committee suggest that the Government of Kerala may consider the desirability of issuing instructions on these lines.

10.42. The Committee also suggest that disciplinary action should be taken against the dealing officers who are found responsible for abnormal delays in the preparation and submission of pension cases without sufficient reasons.

XI

HOME DEPARTMENT

Delay in finalisation of cases of Government servants under suspension—para 131—pages 154-155.

11.1. Government servants under suspension are paid subsistence allowance pending finalisation of disciplinary proceedings against them. It is desirable that the disciplinary proceedings are completed expeditiously so that the expenditure on account of subsistence allowance is minimised.

11.2. On 1st April, 1965, 119 cases of suspension were pending finalisation and a total sum of Rs. 1.81 lakhs had been paid as subsistence allowance in these cases. Year-wise details of the cases are given below :—

Year of suspension	No. of officials under suspension as on 1st April, 1965
1960-61 and earlier years	7
1961-62	6
1962-63	35
1963-64	71
TOTAL	119

More than 86 per cent of these cases pertain to the following departments:—

Department	No. of cases	Subsistence allowance paid upto 31st March, 1965
		Rs.
Police	70	64,239
Medical	9	10,544
Development	8	10,868
Education	6	17,146
Forest	6	8,838
General Administration	4	34,335

11.3. Explaining the present position in regard to the finalisation of disciplinary cases, the Secretary, Home Department stated that out of 119 cases, only 22 cases were now pending and the remaining cases had been disposed of. The oldest case related to 1956. On being asked about the reasons for the delay in this case, the witness stated that it was a case in which there were five prosecutions. But of these five, two cases were taken to the court and the accused was discharged for want of proper sanction. In the other three cases, the sanction accorded was not in order. The case had, therefore, been discharged and it was being examined whether a proper sanction could be accorded. In reply to a question, the witness stated that the concerned officer had since retired and he was not paid any subsistence allowance after retirement. Regarding the reasons for delay in other cases, the Committee were informed that some cases were the subject matter of court proceedings, some cases were before the Tribunal for disciplinary proceedings and some cases had been referred to the Public Service Commission for their advice. In reply to a question, the witness stated that out of 22 cases, one case related to a Member, Board of Revenue which was dealt with by the Centre. Another case related to the Head of a Department which was in the final stage of awarding punishment.

11.4. From the notes (Appendix, LIII) furnished at the instance of the Committee, it is seen that 119 cases of suspension which were reported to be pending as on 1st April, 1965, did not include two other cases of suspension. Out of 121 cases (119 plus 2), 99 cases have been finally decided and 22 cases remain to be disposed of. Out of 99 cases decided, 58 officers were reinstated and the remaining 41 officers were either dismissed or removed or compulsorily retired from service.

11.5. From the details of the 22 pending cases, it is seen that the time taken at each stage of the enquiry/investigation is excessive. The Committee desire that these cases should be finalised without further delay. They also suggest that a review should be conducted to locate whether any officer is responsible for the delay in the finalisation of disciplinary cases and suitable action should be taken against such officers.

XII

OUTSTANDING RECOMMENDATIONS

12.1. In their 47th Report (Third Lok Sabha) on the Kerala accounts, the Public Accounts Committee had made 155 recommendations|observations. The Report was presented to the Lok Sabha on the 6th April, 1966. Notes|Statements showing action taken on the recommendations of the Committee are required to be furnished to the Committee within a period of three months. **The Committee regret to note that so far notes on 61 items only out of 155 items have been received from the various Departments of the Government of Kerala and some Ministries of the Government of India. This is an unsatisfactory position. The Committee desire that the Finance Department of the Government of Kerala should expedite the submission of the notes.**

12.2. The notes|statements submitted to the Committee so far have been printed as (Vol. III) of this Report. The Committee would, however, like to refer to two cases in the following paragraphs.

Irregular grant of Exemptions:—Paras 10, 14 to 10.20 of 47th Report of P.A.C. (Third Lok Sabha)

12.3. The Committee (1965-66) had pointed out that a test check by Audit had showed that a turn-over of Rs. 3.28 lakhs exempted at the hands of two of the auctioneers in the Sales Tax High Range Circle, Devicolam had escaped assessment in the hands of their principals also.

12.4. In a written note (Appendix LIV) submitted to the Committee by the Revenue Department of the Government of Kerala, it has been stated that as a result of cross-check of the exemption granted, it has been reported that the actual amount on which exemption was erroneously granted in these two cases amounted to Rs. 2.22 lakhs. It has also been stated that further scrutiny of the records in respect of the other auctioneers by the Sales tax Officer (High Ranges), Devicolam has disclosed that exemption granted to them is also not in order. The amounts which escaped levy of tax as a result of irregular grant of exemption are stated to be about Rs. 3 lakhs.

12.5. The Committee feel perturbed to learn that cross-checks and further checks are disclosing further irregularities which had not originally come to notice. They, therefore, desire that a special scrutiny of similar cases in other Sales Tax Ranges may be undertaken at an early date to find out the amounts that had escaped levy of Tax as a result of irregular grant of exemption. The Committee would like to be informed of the result of such a scrutiny in due course.

12.6. In para 10.20 of their 47th Report (Third Lok Sabha) the Committee had expressed unhappiness that the case detected towards the end of 1964 was still in the process of revision. In the note (Appendix LIV) submitted to the Committee by the Revenue Department of the Government of Kerala, it has been stated as under:

“It may be pointed out in this connection that though the Audit Report was received in August, 1964, elaborate enquiries had to be made in all cases to ascertain the liability to tax and the turnover actually escaped assessment, before notices were issued proposing revision. The accounts of the principals and their assessments have to be examined to ensure whether the exempted turnover had actually suffered tax at the hands of the principals.”

12.7. The Committee are not convinced that so much time is needed to finalise such a case. In case such delay is inherent in the procedure, it is necessary to change the procedure. If it is due to negligence on the part of the officials, steps should be taken to avoid such delays. The Committee hope that such delays will not occur in future.

Criterion for 'New Service'.

12.8. The Public Accounts Committee 1959-60 (Kerala Legislature) submitted a "Report on New Service" in June 1959. The State Government accepted the recommendations contained in the Report and issued general orders (G.O. (O) No. 486/59 dated 24-9-1959) laying down the criteria for determining whether an expenditure should be treated as on a 'New Service' or not.

12.9. In a note (Appendix LV) submitted to the Committee in this connection by the Finance Department of Government of Kerala (Appendix B) it has been stated that on the recommendation of the Central Public Accounts Committee (para 29 of the 29th Report (Third Lok Sabha) the Government of India, in consultation with

the Comptroller and Auditor General of India, have decided (Office Memorandum No. F. 8(21)-B/65 dated 5-1-1966) that major cases of payment of grant to a private body for repayment of a loan from Government should be treated as 'New Service'. They have accordingly ordered that all proposals for grants to private bodies for repayment of loans from Government involving individual payments of Rs. 1 lakhs or more should be explained in the Explanatory Memorandum on Budget and that, if in the course of a year, new cases of such expenditure involving an amount of Rs. 1 lakh or more occur, such cases should be treated as on 'New Service' and a Supplementary Grant obtained. Similarly the Government of India decided (O.M. No. F-10(33)-B/59 dated 2-12-1958) that all proposals involving individual cases of write off of irrecoverable loans of Rs. 1 lakh or more for which provision is proposed in the Budget estimates have to be explained in the Explanatory Memorandum on the Budget and if in the course of a year new cases involving writes off of loans of Rs. 1 lakh or over occur, such cases have to be treated as expenditure on a 'New Service' and a supplementary grant obtained for the full amount or for a token grant if the additional expenditure could be met from within the amount already voted by Parliament under the particular head.

12.10. The Committee would like to invite attention to pages 71—74 of their 52nd Report (Third Lok Sabha), Vol. II-Appendices wherein the decisions of the Government of India referred to have been reproduced. The Committee are glad to note that the Government of Kerala are agreeable to the suggestion made by the Accountant General, Kerala, that a similar criterion may be adopted by the State Government also and that the monetary limit for 'expenditure for payment of grant to private body for repayment of a loan from Government or for writes off of irrecoverable loans, for treating it as on New Service may be fixed at Rs. 50,000 or more, which is also the existing monetary limit for 'non-recurring grant'. The Committee recommend that the above suggestion may be implemented with immediate effect.

XIII

GENERAL

13.1. The Committee have come across several cases, of (cf paragraphs 6.10, 6.35, 8.14, 8.15, 8.40, 8.41, 8.42 of this Report), where the estimates of the projects were revised substantially after the projects were sanctioned. There were also substantial delays in their execution. As a result of large scale increase in the cost of projects, the returns originally expected of them were also reduced substantially.

13.2. Two major factors which normally have an important bearing on the decision whether to undertake a scheme or not are the cost involved and the benefits which would accrue to the people from the scheme. Once a scheme has been sanctioned and a commitment has been made, the work has normally to be completed even though it involves increased expenditure and reduced returns. The Committee would, therefore, stress that Government should take suitable steps to ensure that the initial estimates both as regards cost and the benefits are prepared after due investigation and on realistic basis, and also that the projects are completed according to the schedules chalked out, as far as possible.

NEW DELHI:

R. R. MORARKA.

6th. January, 1967.

Chairman,

Pausa 16, 1888 (Saka).

Public Accounts Committee.

APPENDIX I

Summary of main conclusions/recommendations

S. No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1-6	Finance ----- All Departments	<p>The Committee understand from Audit that the expenditure under this head of account exceeded the provision even by December, 1964 (provision Rs. 7 lakhs, expenditure Rs. 7,34,643), but no additional funds were provided either by reappropriation or supplementary grant before the close of the year. The Committee regret to note that the fact mentioned in the note furnished by the Department in regard to the expenditure till December, 1964 is not correct. They hope that such instances will be avoided in future. The Committee regret that the Deptt. failed to take either of the steps which could have avoided the excess.</p>
2	1-8	—Do—	<p>The Committee understand that the excess was due to adjustment of debits advised by the Accountant General during the period</p>

are of the opinion that with better co-ordination it was not difficult to overcome such a situation arising during the course of the year. Excess expenditure indicates lack of proper financial control. The Committee, therefore, suggest that a periodical review of the expenditure should be conducted to keep an effective control over the expenditure.

5 1.12

—Do—

The Committee recommend that subject to the observations the Excesses over Voted Grants and Charged Appropriations disclosed in paras 12(a) and 12(b) of Audit Reports, 1966 of Govt. of Kerala be regularised by Parliament in the manner prescribed in the Constitution.

6 1.16

—Do—

The Committee desire that serious notice should be taken, if the instructions already issued in this connection are not strictly followed by the Departments. They also suggest that the Finance Department should enquire as to why the Departments concerned could not furnish the necessary reasons for variations within a reasonable time of the receipt of the draft Appropriation Accounts from Audit. Steps should also be taken to solve the difficulties, if any, in this regard.

7 2.13
2.14

Agriculture and
Rural Development

The Committee feel that in this case there has been laxity on the part of the Department in the verification of the accounts with the result that there were lapses throughout the period 1954 to 1958 as admitted in evidence. The Committee find no justification for

allowing the claims to accumulate, nor do they understand how large amounts of claims could remain unnoticed for such a long period of time. The Committee were informed in evidence that there were far too many changes in the officers concerned and hence it was difficult to fix responsibility. They would, however, desire the Department to take suitable steps so that such lapses do not recur.

The Committee are also not happy with the present system of verification of the distribution of the fertilisers, as under it, it is not ensured that the fertilisers are distributed to *bonafide* cultivators. The issue of certificates by the Agricultural Extension Officers after going through the list of names of persons to whom fertilisers have been claimed to have been distributed can hardly be called too-*proof*. In the opinion of the Committee it is the responsibility of Government to ensure that the fertilisers are distributed to *bonafide* cultivators, as they meet the distribution charges. With that end in view the system should be improved.

Agriculture and
Rural Develop-
ment.

2-20

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The Committee regret to note that even though Government's orders issued in February, 1963 specified that the estimate rates for "Community Development Works" executed through the beneficiaries should not contain any provision for contractor's profit a sum of Rs. 18,350 was paid to the contractor as profit as the estimates

prepared contained the element of profit in this case. The Committee see no reason why in such a case the estimates prepared by the Executive Engineer did not contain the item-wise figures. The Committee also fail to understand why it is not possible to locate who was the officer responsible for this mistake. The Committee deprecate such delays in fixing responsibility, and desire that it should be done in this case without further delay.

The Committee regret to note that the information is still awaited.

The Committee regret to note that the information is still awaited.

The Committee were informed during evidence that the performance report in respect of the Centrally sponsored schemes for the welfare of Scheduled Castes/Tribes and other Backward classes ought to be both financial as well as physical so as to give a correct picture to the Government of India. The Committee would like the Ministry of Finance, Government of India, to ensure that this procedure is invariably followed.

As out of an expenditure of Rs. 5,13,60 lakhs incurred during the period 1956-57 to 1963-64 on the scheme for the welfare of Scheduled Castes/Tribes and other backward classes, the total assistance (grant) received from the Central Government by the State Government aggregated Rs. 2,28.40 lakhs, the Committee feel that the Ministry of Finance, Government of India should as a regular measure make arrangements for scrutinising the Audit Reports as well

9	2.32	--Do--
10	2.36	--Do--
11	2.37	--Do--
	2.38	Min. of Fin.,
	2.39	Govt. of India
	2.40	

as the Reports of the State Public Accounts Committee concerning these matters and take remedial measures promptly.

As regards the disciplinary case against the former head of the Department the Committee have been informed that as the officer had a permanent lien in the Judiciary, the High Court had to be consulted (June, 1966) and the reply received from the High Court (in August, 1966) was under consideration of Government. The Committee would like the Government of Kerala to finalise this case without further delay. In this connection the Committee would like to point out that there has been considerable delay in taking action in this case. According to the note furnished to the Committee, on receipt of the reports of the Tribunal, they were considered on 19-8-1963 by the then Home Minister. A provisional decision regarding the punishment to be imposed was then taken. But the next action taken was only in June, 1966 when the High Court was consulted. Therefore, it appears that no action was taken for a period of about 3 years. This matter should therefore be looked into.

As the Government is spending large sums of money on the scheme it should be ensured that a careful watch is kept over the implementation of the orders issued by Government of Kerala on the recommendation of the Evaluation Committee.

12 2.48
2.49
2.50

The Committee have been informed in a written note that upto date and correct information regarding the number of trainees who have secured jobs is difficult to be collected. There is no machinery in the Deptt. of Harijan Welfare to collect the details of ex-trainees who have secured employment. The Committee regret to note this as it is not possible to assess the real achievements of the training given without such statistics.

Agriculture and
Rural Development
Min. of Fin.
Govt. of India

The Committee are of the view that the reason why many trainees left the course without completing it may be ascribed to the meagre amount of stipend paid. Since the Government of Kerala seems to be conscious of these factors, the Committee hope that early steps would be taken to review the position and to make the scheme more fruitful.

161

The Committee further desire that since the cost of finished articles made by the trainees had gone upto Rs. 1,20,639, steps should be taken early to dispose them off.

While the Committee are glad to know that efforts are being made to utilise suitably the services of the Poultry Assistants elsewhere, they would like to point out that the initial posting of the officials was made without proper planning with the result that an infructuous expenditure of about Rs. 44,000 had to be incurred.

The Committee regret that a note showing as to what was the exact purpose for which the loans/grants were given, required to be submitted through the Ministry of Finance, Government of India is still awaited.

13 2.52

Do.

14 2.58

Do.

15 2.61

Agriculture and Rural
Development

Finance

The Committee desire that it should be found out whether the giving of grants to the Cooperative Society as working capital was done "only to avoid lapse of grant." If it is so, the Committee would like to point out that this practice is irregular and the Finance Department should take steps to put a stop to this practice.

16 2.68
2.69

Do.

Health & Labour

The Committee note with regret that for want of funds 50 wells of drinking water under the scheme of welfare had not been constructed fully. The Committee do not understand why funds were not made available for meeting such essential needs of the scheduled castes/scheduled tribes and other backward classes. The Committee find from the details furnished that while in 1964-65 the Public Health Engineering Department provided a sum of Rs. 10,628 only for construction of wells for drinking water, in 1965-66 that Deptt. did not provide any funds for the same. In the opinion of the Committee the Public Health and Engineering Deptt. also should share the responsibility for meeting the essential needs of drinking water for the people.

The Committee further desire that immediate steps should be taken to complete the incomplete wells for drinking water.

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Agriculture and Rural Development
Health & Labour

2.83

The Committee had occasion to report on the irregularities in the Harijan Welfare Department in Chapter V of their 47th Report (1965-66). The Committee are glad to note the steps taken recently by the Government of Kerala to improve the working of the Department. The Committee have been informed "Government are also anxious that the working of the Department is brought upto the standard of efficiency required, so that there shall not be any room for any kind of irregularity in its working." The Committee would like the Department also to see that benefits envisaged in the scheme of welfare actually reach the schedule castes/tribes and other backward classes for whose welfare large sums of money are being expended.

21

Agriculture (Forest) Department

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The Committee regret to note that no specific provision was made in the agreement that the land leased out to the Company should be planted with rubber within a prescribed period. Further when there was no provision in the agreement that the Company could plant rubber according to their convenience, the Committee do not understand how far it was in order for the Government to agree to the condition of the company to plant rubber in the area as and when it was convenient to them, after having leased out the land mainly for rubber plantation, especially when it was laid down

in all other cases that from the 7th year after giving possession of land Govt. was entitled for enhanced rate.

Another unfortunate aspect of this case was that there was no departmental supervision to see that the terms of the agreement were properly implemented.

The Committee are surprised to find that the lease deed was executed in 1945 and till 1966 (a period of 21 years) the lessee had planted rubber in 19 acres, Catch crops in 29 acres and the rest of the land (498.68 acres) remained fallow. The Department could not do anything in the matter as the land was in possession of the lessee. The Deptt. only hoped that he would convert the land into rubber plantation as early as possible.

The Committee suggest that efforts should be made in consultation with the Law and Finance Deptts. to find a solution to this problem with a view to ensure that the rest of the fallow land (498.68 acres) is also effectively utilised.

The Committee are of the opinion that the case indicates lack of proper planning on the part of the Department in awarding this contract and laxity in supervision over its execution. In the detailed note furnished by the Department it has been stated that the work was awarded to the contractor on 27-10-1960 indicating the date of completion as 27-10-1961. By 12-12-1960 the site of the building proper was got cleared and the work was started. The

Education

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entire site was cleared of forest logs only by May, 1961. Due to continuous rain and shortage of cement, there was delay of about 2 to 3 months in the initial stages which had to be attributed to the Government. Further there was also some delay in finalising the detailed design which was completed and finalised by 18-7-1961. It has further been stated that the contractor took up an attitude of slowing down the work and wanted definite orders regarding enhanced rates to be allowed. All this, it is contended, resulted in delaying the construction of the building.

The Committee therefore, feel that when the site for construction of the building was finalised the Department was aware of the logs on it and the consequent delay it would cause in making the land available to the contractor. Speedy action should have been taken to clear the site, to avoid delay in construction.

The Committee are of the opinion that the Department failed to assess the delay in construction on the part of the contractor who according to the Chief Engineer, "would not commit himself to any fixed programme and had been generally lingering on with the work". The contractor got the site completely in July, 1961. All the major structural details and designs were finalised in March 1962 but the contractor completed the work in September, 1965. There was thus a delay of 3 years after the finalisation of the major designs etc.

As a result of delay on the part of the contractor and on the part of the Department, the original estimates of Rs. 9.28 lakhs had to be revised upwards.

The Committee feel that no adequate notice of the delay on the part of the contractor was taken by the Department. The Committee would like the Government to examine the case to see if the contractor is liable for penalty as provided in the contract for the delay in construction. The Committee are of the view that there was no justification for making an extra payment of Rs. 4.523 in respect of work before October, 1961 when the departmental schedule of rates was first revised, and the contractor should be asked to refund this amount.

Education

The Committee feel that the Education Department instead of waiting for the report of the Planning Commission on the impact of the scheme, should have conducted their own independent survey to determine how far the technical training scheme benefited the students in the State.

The Committee also suggest that Government should undertake a scientific analysis to ascertain the reasons for the anomalous position brought out by the factual survey undertaken by the Planning Commission viz. that in Kerala, only about 26 per cent of the students passing out of Junior Technical Schools joined industries, as against 78.6 per cent in Uttar Pradesh and 73.3 per cent in the

Punjab. Suitable remedial measures found necessary as a result of this analysis should be initiated so that the object of the scheme is fully achieved.

24 4.25 Education

The Committee feel that the Education Deptt. should have furnished full information to Audit about the earlier sanction for the construction of the building of Junior Technical School when the draft para was sent for their comments. Somilarly, the Audit were not informed about the utilisation of machinery and equipment which the institution had purchased for the use of the students.

25 4.27 -Do-
All Depts.

The Committee feel that the Deptts. should be careful in pointing out any factual discrepancies in the draft Audit paras so that the time of the Committee is not wasted in sorting out factual discrepancies. The Committee hope that the Deptt. would devise a system for dealing with draft Audit paragraphs so that they may be dealt with on a priority basis.

26 4.32 -do-

The Committee feel that the Education Department should have been a little more careful while placing orders for the supply of the equipment to include a penalty clause in the contract so that it would have served as a deterrent against supply of defective machinery. The Committee would also like the Deptt. to ensure in future that there is no time-lag in the utilisation of machinery and equipment after their receipt.

-do-

It is indeed surprising that in this case (a) even though the change in the designs or specifications was of a minor nature; (b) such minor changes were permissible in terms of the notice inviting tenders; and (c) the Chief Engineer did not allow the higher rates asked for by the contractor, orders were issued at the higher level for retendering the work and releasing the earnest money of the contractor with the result that an extra expenditure of Rs. 61,000 had to be incurred. In the opinion of the Committee, this is rather unfortunate.

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While the Committee are glad to know that the Company at fault in this case has been black-listed and legal action is being taken against the firm, they see no reason for the delay of more than two years in initiating action in this case. Such delays should be avoided.

The Committee also suggest that the Government may consider the feasibility of having the costly machinery and apparatus examined before these are despatched to avoid such contingency arising again. The Committee would like to be informed of the final outcome of the case in due course.

Industries

It is regrettable that the Scheme on which Rs. 54.77 lakhs have been spent has proved a failure. This only indicates that the Scheme was undertaken without proper planning and investigation. The Committee feel that it would have been a wiser course if the Scheme had been started as an experimental measure at one or

two places only and their working results watched before extending the Scheme to other units. In that case, a lot of infructuous expenditure could have been avoided.

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Industries

The Committee are unable to appreciate the manner in which running of the Model Footwear Unit, Cannanore has been undertaken. Its management went on changing hands—from Government to Cooperative Society and back to Government; then to the ex-trainees and again back to Government. In evidence it was stated that it had been handed over to a private party on 12th August, 1966. In the written note it has been stated that on 16th September, 1966 Government ordered to resume the Unit from the Private Company. The reasons advanced in the written note furnished to the Committee for such frequent changes do not appear to the Committee to be convincing. Moreover, there are conflicting views as to whether the Unit was running satisfactorily or not in the middle of 1959. The receipts and losses of the Unit also show that the Unit had always been running at a loss, frequent changes in management notwithstanding.

In the opinion of the Committee this whole case indicates the careless and negligent manner in which the Department has been dealing with this case.

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It appears to the Committee from the notes furnished that the request of the Department for this shed made on 9th July, 1962 and

again on 15th October, 1962 was overlooked by the Kerala State Small Industries Corporation and the shed allotted to the private party on 1st November, 1962. The reason advanced for this action does not appear to the Committee to be convincing. It is also surprising that the Government was not kept informed of the decision to allot the building to a private party. The Committee desire that the matter should be properly inquired into with a view to fixing responsibility for this lapse.

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The Committee are unhappy to note that the Government did not take into account the assets and liabilities of the Mahalakshmi Cotton Mills before taking it over and running it departmentally. They should have normally consulted some experts before taking such a responsibility. The Government had no plans to run the mill for a long time as otherwise they would not have handed it over to a third party to run the mill on contractual basis. There does not appear to be any justification in the plea that the Government rushed in to save the labour from unemployment as after the failure of the third party, the mill had to be closed down.

The only outcome of this transaction was that when the company was wound up, the amount of Government loans and interest outstanding was Rs. 4,00,692. Government received Rs. 3.47 lakhs after the assets of the company were auctioned. The balance amount has not been recovered so far. In addition to this, the Government had to advance another loan to discharge the liabilities of the company that had accrued during the management of the mill by Government from 1957.

The Committee, therefore, feel that the Government should not normally enter into such transactions without full consideration of all the aspects involved including financial implications, in future.

33 5.44
5.45

Industries

The Committee are unhappy to find that the Government instead of reviewing the position after the expiry of one year when there was no regular work in the factory, carried on the bleaching and extending work at intervals after several pieces of cloth were hoarded up on wrong assumption of availability of cloth disregarding the competition they had to face in the market. As a result the Government had to incur some loss which could have been avoided.

The Committee hope that the warming and sizing plant would be set up without undue delay and the working of the factory placed on sound commercial footing.

34 5.49

-do-

The Committee feel that the firm of lawyers who were engaged by Government for a particular work were kept on unnecessarily engaged without any apparent work and the Government took a long period of 1½ years to fix their remuneration. The Government had thus to pay certain fees to these lawyers even though no work was entrusted to them.

The Committee desire that Government should determine the quantum of work for which the lawyers may have to be engaged and if considered necessary engage them for specific purposes and for

specific period only, instead of entering into long period contracts with them. Government should issue specific instructions to this effect to all the Departments for future guidance.

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5.54
5.55

-do-

The Committee feel that there was no justification in delaying the placing of the Audit Reports on the accounts of the Khadi and Village Industries Board on the Table of the Legislature till the amendment of the Act. The Committee would like to refer to their recommendation contained in para 6.115 of their 47th Report (3rd Lok Sabha) and desire that this matter should not be delayed further.

The Committee would like to know the progress made after 30th September, 1966 which is the target date given for recovery of all the loans etc. as stated in evidence.

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5.60
5.61

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The Committee feel perturbed that a total of Rs. 7,20,917.25 under loan and Rs. 1,39,969.07 under grant was outstanding against 229 defunct institutions. They also regret to note that in the case of 79 institutions it has been found that the prospects of their revived were bleak. The conclusion is therefore, inescapable that loans and grants have been given to many societies without ensuring their capability of utilising these sums properly and fully. Assistance to such institutions results not only in non-utilisation but also in mis-utilisation of funds.

The Committee suggest that Government should devise suitable means to prevent such a situation arising in future.

37 5.65 Industries The Committee are not satisfied with the progress made in obtaining the Payee's acknowledgements which stood at 1063 and were reduced to 730. In this connection the Committee would refer to their earlier recommendation contained in Para 6.148 of their 47th Report (Third Lok Sabha) and desire that effective steps should be taken to reduce the outstanding as early as possible.

38 5.71 -do- The Committee feel that no timely action was taken by the
 5.72 Department against those who were found guilty of theft. The
 5.73 shortage of goods at Quilon Bhavan was detected in 1963 and action for suspension was taken only in 1966. No proper investigation seems to have been carried out nor any prompt action taken against those found guilty whenever such shortages were detected.

The Committee desire that the Khadi Board should look into the matter more carefully and devise ways and means to put a stop to such thefts.

As regards disposal of accumulated stocks of old Khadi cloth at Payyannur, the Committee desire that early steps should be taken for its disposal either by reduction sale, or by converting it into readymade garments.

39 6.7 Public works The Committee are unhappy to find that the entire scheme of
 Department collection of cess was formulated without much of forethought and

the Department did not show any genuine interest at any stage to work it out in a business like manner. The various lapses which were committed and were allowed to be continued to the detriment of the Government's interest were:—

(i) even though the spillway was completed in December, 1954 the Department took a decision to collect cess only in 1957—three years later, for which there are no valid reasons;

(ii) the Department having issued the order in 1957 took no steps to implement it and it was only in 1965 that the Department could realise that the order was defective in as much as it did not specify the area from which the cess had to be collected;

(iii) the original project report envisaged that 20,000 acres only would be benefited by the scheme. Under orders of Government, assessment and collection of cess from 1957-58 onwards was to be in respect of areas "manifestly benefited" by the spillway. At no time subsequently the Department thought it proper to demarcate the area "manifestly benefited" for the purpose of levying cess nor did the original report specify it. That the words "manifestly benefited" were incorporated in the order without any justifiable reasons reveals the careless manner in which the order was formulated; and

(iv) no efforts appears to have been taken by the Department to find out whether the order was legally enforceable. It was discovered only recently, that the relevant Act would have to be amended for implementation of the order.

Because of these lapses, the Committee find that Government had lost revenue for years together which could have been averted if the Department were vigilant from the very beginning. They hope that Government would take suitable steps to streamline the procedure to avoid such lapses, and also adopt necessary legislative measures without undue delay.

40 Public Works
Department

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The Committee find that two thirds of the work still remain to be completed. The Committee feel concerned to note that the original estimate of the salt water barrier was Rs. 43.58 lakhs in 1954 it was revised to Rs. 150 lakhs in 1958 and that it has now further been revised to Rs. 300 lakhs. The Committee suggest that an enquiry into the causes for this increase should be held. They hope that the Department would ensure that the execution of the remaining portion of the project is not unduly delayed because of bad planning or lack of coordination. They further hope that the Department would assess the effects of devaluation and try to keep the estimates within reasonable limits.

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With regard to the payment made to the contractor for "maintenance work of the bund", the Committee understand from Audit

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that even though the agreement refers to the responsibility of the contractor for such a work during the period when the barrier work is being done, the term "maintenance work" is not defined in the agreement itself. The decision that the "maintenance work" for which extra payment has been made to the contractor would not be the responsibility of the contractor, falling under the provisions of this particular condition in the agreement, has been taken by the Chief Engineer without referring the same to the Government and without taking any legal opinion in the matter. They further find from the note that the bund was washed away not due to any unsound workmanship but because there was departmental delay in arranging for protective dredging work. The Department have further held "since the re-formation (of the washed clay) cannot be treated as mere maintenance, sanctioning of this rate appears to be in order."

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The Committee feel that the Departments should ensure that the agreements entered into with the contractors are specific in all respects and there is no vagueness on any point. The terms of the agreement should be drawn in consultation with the Chief Engineer and the Legal Deptt. so that practical difficulties that might arise out of the execution of the schemes, are taken note of and at the same time the document is made foolproof.

As regards the payment made to the contractor on account of the use of Vetchoor Clay, the Committee find from the note that in spite of the fact that the agreement specified the use of Kayal clay,

it was the contractor who claimed that the Kayal clay would not withstand the waves. The Committee are also amazed to find that even though the Executive Engineer referred to the use of Vetchoor clay as "the contractor's idea" and though the contractor used the "Vetchoor Clay" on his own without any order being issued by the Department, yet the Department ratified the action of the contractor resulting in the extra payment of Rs. 14,723.

The Committee fail to understand why the Department did not make a provision of the use of Vetchoor clay in the Agreement if they were really convinced, as they appear to be now, that it was the right type of clay which should be used for the stability of the work.

It passes the comprehension of the Committee:

- (i) how the contractor could possibly deviate from the terms of the agreement "of his own";
- (ii) why the Department failed to restrain the contractor;
- (iii) why the agreement was not modified during the execution of the work if the Deptt. were genuinely of the opinion that the type of clay suggested by the contractor was of the right type; and
- (iv) why the Chief Engineer failed either to select the right type of clay and to make a suitable provision in the agreement or to get it amended suitably later on.

The Committee are of the view that the matter requires proper investigation with the object of fixing responsibility for the various lapses.

The Committee also regret the lapse of the Department in not communicating the verified and correct position with regard to the Audit para to Audit, which, according to the evidence given, could have been done.

Public Works
Department

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They regret to find that even though 8 years have passed the mixers could not be put to any use and they are still lying idle without the repairs being made.

In the case of the two vibrators also the Committee find that even though defects were noticed, 90 per cent payment was made to the firm under the orders of the Executive Engineer as recommended by the Assistant Engineer. The circumstances in which such a recommendation was made by the Assistant Engineer should be inquired into.

Another aspect of this case which causes concern is that in spite of the fact that the Department asked the firm, immediately on receipt of the vibrators to rectify the defects and tried to persuade them to do so the firm managed to delay the matter under one pretext or the other and finally refused to do the work on the plea that the conditions of the supply did not bind them to guarantee their perpetual sound working and that they could not take responsibility for the defects reported to them since the defects had not been reported within 30 days of the receipt of the machinery.

The Committee feel that in both the cases action against the defaulting firms should be taken. Moreover, disciplinary action with regard to past payment in the case of vibrators should also be finalised early. Since the two mixers and the two vibrators have been lying idle since 1959, the Committee feel that the department should take a final decision in regard to these equipment i.e. whether these could be put to use after necessary repairs or whether these should be disposed of.

The Committee hope that on receipt of the special assistance of funds from Government of India, it would be possible to allocate funds for this scheme.

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Public Works
Department

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The Committee hope that the Department would draw up the details of the future programme for the execution of the project and ensure strict adherence to the time schedules, as any delay in the execution of the scheme is likely to entail extra expenditure.

The Committee understand from Audit that Government had accepted that stores valued at Rs. 1.07 lakhs remained idle for three years, while replying to the draft para on 10-6-1966. The notes now submitted by the Department, however, show surplus stores lying idle valued at Rs. 41,865 only. The Committee, therefore, would like the Department to reconcile this discrepancy. They would like

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the Public Works Department to make efforts to see that these equipments are made use of either in the projects now under execution or at some other place.

The Committee consider it to be rather unusual that no agreement was executed with the Kerala Samaj, Madras when Government handed over the property to them for running a school. The Government also showed leniency to the Samaj by exempting them from paying rent for the building which was a district departure from the rules which stipulated payments of advance rent for property let out to a person not in Government service. The Samaj took advantage of such leniency and failed to run the school and the Government on the other hand for no justifiable reasons waited for four years till they withdrew their order in 1962.

The Committee feel that in case the Government contemplated any assistance to the Samaj, the appropriate procedure should have been to recover the full assessed rent from the Samaj and to make the payment in the form of grants-in-aid after making provision for such payments in the demands for Grants placed before the legislature.

The Committee hope that the Association to whom the property has now been leased will implement the terms of the lease.

The Committee hope that the Department would be careful enough in future to ensure that Government is not put to any loss because of the ambiguity or other *lacuna* in the agreement signed with a contractor.

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47 6.53 Public Works Department The Committee regret to find that due to the negligence on the part of the Executive Engineer in failing to comply with the conditions of clause 13 of the Agreement, the Department on the advice of the legal Department could not fasten liability on the contractor. They further understand from Audit that the Government did not pursue the matter of fixing responsibility on the Executive Engineers who have since ceased to be in State Service. The Committee consider it unfortunate that the question of fixing responsibility was not considered earlier (1963—onwards).

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The Committee feel that the information given in the note is rather incomplete as it does not state:

- (i) when such shortages first came to notice and what action had been taken by the Deptt. from time to time to ensure that full quantity reached the destination;
- (ii) the basis on which it has been calculated that the cost would be Rs. 50 more per ton if arrangements were made to supply the materials at departmental stores;
- (iii) what the Government propose to do in regard to the 40 cases in which the allowable weight tolerance had been exceeded; and

(iv) whether safeguards had been provided to ensure that no loss occurred during transit from Railway Station to Stores.

The Committee would like to be informed of the final outcome of the efforts being made by the Department in regard to the measures to be taken to avoid losses in transit.

Revenue

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The notes have been furnished. The Committee find that the total taxes since recovered in 117 cases relating to sub-paras (a) to (h) amounted to Rs. 45,462.20 and in all such cases where balance was pending collection, the amounts had already been advised for collection excepting in one case where the collection of additional amount of Rs. 45,035.09 had been stayed by the High Court. The Committee would like to be informed of the final outcome of this case, in due course.

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The Committee hope that the Department will take note of the cases of lapses and the part of the officials in the assessment of taxes and will issue necessary directives to ensure that such instances do not recur. The Department should further see that no unintended benefit is conferred on firms through erroneous calculations. To achieve this end, not only the orders and instructions issued should be clear and unambiguous but those should also be implemented scrupulously. The fact disclosed in evidence that as many as 18 Sales Tax Officers had to be proceeded against in one year for irregular assessment of taxes, indicates that there is considerable room for improvement in the standard of efficiency of the Sales Tax Officers.

The Committee regret to note that these irregularities were not detected by Internal Audit as they had been able to complete audit only upto 1963-64. The Committee desire that the Internal Audit should be more alert and upto date and the administrative machinery should also be toned up adequately. The Committee also hope that the Department would recover remaining arrears, without any further delay.

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Revenue

The Committee hope that the instructions already issued would be followed strictly and there would be no occasion in future where exemptions could be given without any justifiable reason. They also feel that the guide-lines as to what constitute "satisfactory evidence" for the purpose of granting exemptions where a dealer fails to file a declaration in form No. 34 should be specifically laid down if not already done, to eliminate the chances of misuse of discretion.

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From the evidence tendered and the notes furnished the Committee are distressed to find that evasion of taxes is rampant in Kerala in the transactions of pepper, arecanut, rubber, coir and coconut oil practised through booking by rails in bogus names, and these are within the knowledge of the authorities of the Southern Railway. The practice is stated to be widely prevalent in Cannanore, Kozhikode, Palghat and Trichur. In Cannanore District alone the evasion on this account was estimated to be as high as

Rs. 2.30 crores. The *modus operandi* in such cases are that goods are booked to various places outside the State by rail in fictitious names and railways receipts are often discounted through certain Banks which give discounting facilities to some of the persistent and habitual defaulters of sales tax. The Committee are perturbed to find that even though the Deputy Commissioner (Intelligence) had on several occasions brought such cases to the notice of the Commercial Superintendent, Olavakot and in spite of the fact that the General Manager, Southern Railway had issued instructions to subordinate staff that before consignment of arecanut were accepted for booking, sales tax registration certificates and pass|permit showing that cess due to Market Committee had been paid, as many as 3295 cases had come to the notice where the Station Masters had violated the instructions on the ground that they had no instructions from the Railway authorities in the matter.

The Committee fully concur with the feelings of the Department that unless the Railway authorities show firmness and insist on the production of documents satisfying the payment of sales tax etc. before the notified goods are booked, it would not be possible to check tax evasion which has taken alarming proportion. The Committee would also like the Ministry of Railways (Railway Board) to find out whether there was any delay in communicating the instructions of the General Manager, Southern Railway to the concerned Railway Station Masters, if so the reasons therefor, and if not why those were violated.

They also desire to be informed of the action taken by the Central Government in regard to the amendment to be made to Central Sales Tax Act which is under consideration.

The Committee regret to note that Government of India's notification dated 16th August 1962 was received by the State Government only on 12 November 1962. There was a further delay of about 4 months on the part of the State Government in issuing the consequential notification. The Committee desire that this matter might be looked into.

Revenue

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From the note the Committee find that apart from the complexities involved in administering the fiscal laws, the number of 'C' forms to be verified being numerous, there is the possibility of omission while scrutinising them. Since the grant of concessional rates is related to the information given in the 'C' forms, the Committee feel that the Administration should examine whether the procedure of furnishing, scrutinising and recording of 'C' forms can be simplified to avoid chances of irregular grant of concessions.

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The Committee further learn from Audit that out of the 25 cases, there were 7 cases in which concessional rate of tax was allowed without the valid 'C' forms being produced and in these cases assessment has since been revised by the Deptt. claiming enhanced rate of

tax. The Committee would like to Deptt. to find out how concessional rates were allowed in these cases and satisfy themselves that no *mala fide* was involved.

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Health and Labour
Department

The Committee regret that the Ernakulam-Mattancherry Water Supply Scheme approved in principle more than a decade ago by the Central Government has not been completed till this date. They are sorry to find that this scheme which was agreed to in principle by Government of India in 1955, got the administrative approval by the State Government in 1957 and the work was commenced only in September, 1959. Such delays had not only resulted in the late completion of the scheme but has also cost Government more as the cost on different items of the scheme had gone up.

The Committee also deplore the unsatisfactory way in which this scheme has been initially drawn up, revised and implemented. After the work on the scheme had commenced in September, 1959, the State Government in November, 1960 enlarged the scheme and proposed a revised estimate and without the approval of the Government of India, the first stage of the revised scheme is being executed. In evidence, it was stated that the original estimate of Rs. 1.54 crores was only a project estimate and no detailed estimate had been carried out at that time. It was also stated during evidence that the estimate was proposed without adequate details and proper investigation. Many items of work could not be estimated with a fair degree of accuracy. That was why the scheme had to be

They are also surprised to find delay in conducting enquiry into the causes of the collapse of the wall as Government came to know of the mishap only when Audit pointed it out. The Committee take a serious view of this lapse and desire that responsibility should be fixed for non-observance of provisions of Article 320 of the Kerala Financial Code regarding damage to immovable property.

The Committee are unhappy to note that the Quilon Water Supply Scheme which was to be completed by March, 1961 was completed after March, 1965, entailing a delay of more than 4 years.

As regards the delay of four years, it was learnt during evidence that the main factor was the time taken in the inter-departmental negotiations in settling certain operational details.

The Committee see no reason for the abnormal time (two to three years) taken to come to a final decision between two departments as this delay not only delayed the completion of the scheme by 4 years but also resulted in an extra expenditure of about Rs. 40 lakhs to the Exchequer, as the cost of various items had gone up. The Committee would like the State Government to improve the co-ordination amongst various departments to avoid such abnormal delays in settling issue that may come up from time to time.

The Committee may be apprised of the out-come of this enquiry.

The Committee regret that the Craftsmen Training Scheme which was started in 1957-58 and on which Rs. 171.60 lakhs was incurred

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by Government had to be changed three times as it did not meet the requirements for which it was started. They feel that such scheme on which such huge amounts are spent should be taken in hand only after it has been examined in full in all aspects.

The Committee suggest that in view of the large expenditure of Rs. 171.60 lakhs incurred on the scheme, the State Government should undertake a proper evaluation of the operation of the scheme to assess the real benefits derived from the scheme against the anti-cipations.

61 8.55 Health and Labour
Department
Ministry of Finance,
Government of India

The Committee also suggest that a periodical evaluation of scheme involving an expenditure over Rs. ten lakhs should be undertaken. The Committee also desire that in respect of schemes substantially financed by the Central Government, Government of India should ensure that such evaluation is periodically made and the results intimated to them.

62 8.59 Health and Labour
Department

The Committee take a serious view of the purchases made in excess of the scale prescribed by the Directorate General of Employment and Training. They trust that in future every care would be taken to make purchases within the prescribed limits.

63 8.62 Do.

The Committee would like to be informed of the recoveries made from the 147 trainees.

The Committee regret to find that though the scheme for augmenting the capacity of the water supply system of Trivandrum City from 4.5 million gallons per day to 20 million gallons per day was taken up for execution in March, 1961, land for about half the length of alignment of mains pipe was acquired only during March, 1964 to May 1965 at a cost of Rs. 3.75 lakhs and made available to the Department and the orders for cast iron specials required for laying the pipes were placed only in June, 1965 and these were expected to be received only during March, 1966 to April, 1967.

The Committee suggest that the Government should conduct an enquiry into the entire planning and execution of the scheme in order to find out as to (i) how far the delay in the execution of the scheme and the consequent locking of the funds were avoidable; (ii) how far the procurement of stores had been delayed; and (iii) how far the expenditure on establishment could have been curtailed by proper co-ordination.

The Government of India should also be kept informed of the progress of the scheme.

The Committee would like to stress certain aspects connected with this case. In his letter dated 31st August 1964, the lowest contractor had asked for the use of the departmental crane for the short period of one month or to be given one month's time to begin the work. These requests were rejected. But complete record of the discussion that took place between the Chief Engineer and the contractor in this connection had not been maintained. Further, as

required under the rules, reasons were also not recorded when the lowest tender was rejected. The tenderer was informed about the cancellation of his tender only on 13th November, 1964, whereas the work was awarded to the second lowest contractor on 20th October 1964, who was also given the benefit of the use of the departmental crane. It, therefore, appears to the Committee that the tender was considered not on merits, but on other grounds. The Committee feel that this case discloses an act of favouritism shown to a particular contractor by ignoring the legitimate claims of the lowest contractor. The Committee would like Government to take suitable steps to ensure that such cases do not recur.

The Committee suggest that Govt. should issue clear instructions that in all cases of tenders a complete record of the discussion should be maintained and the reasons should also be invariably recorded in the event of rejecting the lowest tender.

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8.80Health and Labour
DepartmentMinistry of Finance,
Government of India

The Committee note that the previous contractor discontinued the work on 30th June, 1964. The interim arrangement was made by the Executive Engineer and the work was done from 16th July, 1964 onwards by the second contractor and other contractors. From the facts placed before the Committee, they cannot escape the conclusion that the interim arrangement was continued to give the benefit of the use of the departmental crane to the second lowest contractor.

action of the Department in trying to recover the loss involved from the lowest contractor to whom the contract was not given for reasons not justifiable, is not correct. They suggest that before enforcing the recovery the matter should be re-examined in consultation with the Finance and Law Department.

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Health and Labour
Department
Finance/Law

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The Committee regret that buildings for locating the hospital together with equipment remained unutilised for more than a year. They hope that by now these are being fully utilised.

They trust that now that construction of the hospital and hostel is complete, there will be no further loss of rent owing to non-allocation of rooms in the hostel. They also hope that with the completion of the hospital and the hostel, the introduction of the post-graduate course will also be expedited.

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Health and Labour
Department

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While the Committee would not like to comment on the policy of the Government with regard to encouragement to Cooperative Societies, (according to Government orders purchase of dietary articles required for Government institutions may be made from approved Co-operative Societies at 2½ per cent below market rates and no tenders are required to be called for), they would point out that in this case the tenders were called in the first instance and the difference between the rate of the lower tender and the rates at which supplies were made by the Cooperative Society came to as much as

Rs. 71,000. This action becomes all the more unjustifiable in view of the fact that as mentioned in the Audit para "according to the Govt. orders in this regard, Cooperative Societies shall not be given contracts on preferential basis when once the tenders had been invited; in these cases, the offers of the Society were received only in November, 1963, after tenders had been invited."

The Committee also fail to understand how the District Industries Officer in his subsequent recommendation on 7th February, 1964 recommended this Society for other items (other than hand-pounded rice) of diet articles, when according to the note furnished to the Committee by the Department of Health and Labour, this Cooperative Society "is engaged mainly in the production and sale of hand-pounded rice, mat weaving, khadi and basket making etc."

The Committee desire that any encouragement given to the Cooperative Societies should be strictly within the four corners of the Rules and Regulations framed for the purpose.

The Committee find from the notes furnished that the original estimate of Rs. 24.90 crores sanctioned in February, 1961 has now been revised to Rs. 36.40 crores. The approval of the Central Electricity Authority and the State Government to the revised estimate is still awaited. The Committee cannot but express their deep concern at the steep rise in the estimates from Rs. 24.90 crores to Rs. 36.40 crores which comes to Rs. 11.50 crores (i.e., 46 per cent). In view of this, as also the various irregularities brought out in the

Kerala State
Electricity Board

Public Works Deptt.

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subsequent paras pertaining to the transactions of the Electricity Board the Committee desire that Government should undertake a proper investigation into the working of this project in all its aspects.

The Committee suggest further that as far as practicable a procedure to obtain the financial and technical sanction for project estimated or revised estimates beforehand should be followed.

With regard to the landslips the Committee find from the investigation report that :

"It appears that excavations for the tail race rendered the slope unstable which resulted in the slipping of soil. During the process a huge boulder is reported to have slid down which must have been responsible for the instability of the soil resulting in subsoil flow also.

The joints dipping into the tail race channel may also have favoured the slipping. The removal of fines from the subsoil during heavy rains may have also contributed to the slips. The vibrations set up by blasting in the power tunnel and the tail race channel excavations must have gradually promoted the instability of the soil slope."

would like to invite attention to their observation made in paras 7-19 and 7.20 of their 47th Report (Third Lok Sabha).

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The Committee note from the written note furnished by Department that a sum of Rs. 33,599.38 has been recovered from the suppliers of stone crushers. The Committee cannot but observe that the amount recovered from the suppliers viz. Rs. 33,599.38 is small when compared to the extra expenditure of Rs. 2.62 lakhs which had to be incurred by the Deptt. due to defective working of the crushers. They have also been informed that no other amount has been claimed from the Company.

The Committee also find from the written note that after rectification of defects by the Service Engineer of the Company and after trial runs, the Superintending Engineer, Dams Circle, Pamba reported on 20th October, 1962 that the defects noticed on the crushers had been rectified. But during operation by the Contractor of the crushers from November, 1962 onwards defects were noticed and reported to the Chief Engineer. It appears to the Committee that the trial runs and examination of the crushers were made by the officers perfunctorily.

The Committee feel that the Board should have taken up the matter with the Forest Department if the wood logs originally supplied to the Board was of poor quality. Moreover, if hard and good

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Kerala State
Electricity Board.

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Public Works Deptt.

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timber was to be given to the contractors for sawing and using for the works as per agreement, timber of the requisite quality only should have been made available to the contractor after proper check, in which case the question of the contractor returning deteriorated and unserviceable timber would not have arisen. This aspect of the matter needs further looking into.

The Committee feel that awarding the contract in July, 1961 after splitting it up on grounds of expediency and speedy execution has been proved to be justified in this case, as it had entailed extra expenditure of about Rs. 21.64 lakhs. The lowest tender was Rs. 153.63 lakhs and the second tender was Rs. 175 lakhs. Moreover, if the splitting up of the work between more than one parties was considered necessary on grounds of expediency, the tenders should have been invited accordingly instead of for the work as a whole:—This is a case of violation of the sanctity of tender system. The Committee suggest that this matter should be thoroughly investigated.

The Committee feel unhappy to note that although the change in the location of the power house site was decided in July, 1959, the work relating to the construction of a road leading to original site was completed in May, 1962. If the road was needed for exploitation of timber by the Forest Department, the matter should have been taken up with that Department and the expenditure debited to them.

The Committee regret that an expenditure of Rs. 66,085 had proved infructuous owing to the shifting of the spillway. The Committee would like the Govt. to enquire why the inspection by the

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Board of Consultants could not be arranged earlier, before the work of excavation of earth was undertaken.

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Kerala State
Elec. Board

P.W.D.

The Committee do not find any justifiable reasons for the delay in recommending the acceptance of tender by the Chief Engineer as well as in communicating the concurrence of the Board to the recommendation of the Chief Engineer. This unconscionable delay has resulted in an extra expenditure of Rs. 32,838. The Committee desire that Finance Department should issue instructions to all Departments that firm decisions about acceptance of tenders should invariably be taken and communicated to all concerned, well in time before the date of commencement of work.

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The Committee note with regret that although the project as a whole was scheduled to be completed by the end of 1964, owing to the delay in the supply of machinery, it was expected that the machines would be commissioned (by the middle of 1967). The Committee desire that the question of imposing penalty for the late delivery of machines should be taken up at the appropriate time.

It is rather unfortunate that there is an increase of about 50 per cent in the estimated cost (Rs. 4.32 lakhs to Rs. 6.50 lakhs) as a result of which there would be a decrease in the return on capital investment. The increase in the revised cost has been partly due to the

original estimates being faulty and partly due to the delay in completion of the project due to late supply of machinery.

79 Do. 9.75 The Committee consider this to be a bad case of failure on the part of suppliers which has resulted in considerable extra expenditure. They would like to be apprised of the final action taken in this case.

80 Do. 9.84 The Committee fail to understand as to how the Board agreed to reimburse Rs. 23,078 to the contractor towards insurance when the transit loss was the responsibility of the contractor. Further, there was no specific provision in the agreement in regard to the reimbursement of the insurance charges. The Committee suggest that an enquiry should be conducted to find out the grounds on which the officer concerned recommended the reimbursement of insurance charges and suitable action should be taken for giving an unintended benefit to the contractor outside the terms of the agreement. They also suggest that the feasibility of recovering the amount from the contractor should also be examined. Similarly, the circumstances under which an extra-payment of Rs. 6,117 outside the terms of the original contract was made (as referred to in sub-para (ii) above) should also be properly inquired into.

81 Do. 9.89 9.90 The Committee fail to understand as to why the revision of tariff was not taken up before April, 1960 when the terms of the agreement were to expire, especially in view of the fact that the Board has the statutory right to fix the grid tariff from time to time. The Committee regret to note that the legal advice was sought only in

January, 1964 and the negotiations started with the Company only in July, 1964. It is unfortunate that the continuance of the agreement without the revision of the tariff rate has resulted in a loss of Rs. 2.67 lakhs during the four years ending 1963-64.

They hope that the Grid Tariff Regulation will be finalised quickly and the feasibility of charging the revised tariff with retrospective effect from 1960 will also be examined in consultation with the Legal Adviser.

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Kerala State
Elec. Board

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Finance.

A. G. Kerala

The Committee regret to note that although the irregularity of a serious nature came to the notice of the Board in March, 1963, it took over three years to entrust the case to the police for investigation. They hope that on receipt of the finding of the police investigations proper action will be taken without further delay. They desire that suitable instructions should be issued to all Departments to ensure that such cases involving malpractices should be promptly reported to Police for investigation.

Various financial irregularities dealt with above indicate that the financial discipline in the working of the Kerala State Electricity Board is somewhat slack. The Committee suggest that Government should appoint a Departmental Committee of three Secretaries (including the Finance Secretary) and the Accountant General to stream-line the financial procedures obtaining in the Board, so as to ensure that such irregularities do not recur in future.

- 83 10.8 Finance
 The Committee regret to note the delay in regard to the recovery of the amount from the Government of India. They hope that with the instructions issued to the Collectors to send half yearly details, such delays in the adjustments and recoveries of the amounts will be avoided.
- 84 10.11 Do.
 The Committee hope that suitable steps will be taken by the Ministry of Finance, Government of India in consultation with the Ministry of Transport and settle the claim of the Government of Kerala as also of other State Governments expeditiously.
- 85 10.24
 10.25 Finance
 The Committee regret to observe that the arrears of revenue pending collection relate even prior to April 1950 in respect of certain Departments.
- 86 10.33 Do.
 They will watch the progress of realisation of arrears of revenue through subsequent Audit Reports with the hope that the recent drive initiated to liquidate the arrears by September, 1967 will bear fruit.
- 86 10.33 Do.
 The Committee regret to note that out of 143 cases of mis-appropriation of Government funds and stores etc., reported in the Audit Report, action was still pending on as many as 95 cases which related to the period 1950-51 onwards. The Committee take a serious view of such delays. They desire that all the outstanding cases must be finalised early and report sent to the Committee.
- 87 10.41
 10.42 Do.
 The Committee are glad to note that only 6 pension cases out of 3,540 are pending finalisation. Further the Committee understand from Audit that the Government of India have issued certain in-

structions in June, 1966 requiring that the verification of service should be taken up in the 20th year of service or 5 years before retirement whichever is earlier and omissions, if any, noticed in the service records should be supplied and any orders necessary obtained at that time so as to obviate complications and delay at the time of retirement. The Committee suggest that the Government of Kerala may consider the desirability of issuing instructions on these lines.

The Committee also suggest that disciplinary action should be taken against the dealing officers who are found responsible for abnormal delays in the preparation and submission of pension cases without sufficient reasons.

From the details of the 22 pending cases, it is seen that the time taken at each stage of the enquiry/investigation is excessive. The Committee desire that these cases should be finalised without further delay. They also suggest that a review should be conducted to locate whether any officer is responsible for the delay in the finalisation of disciplinary cases and suitable action should be taken against such officers.

The Committee regret to note that so far notes on 52 items only out of 155 items have been received from the various Departments of the Government of Kerala and some Ministries of the Government of India. This is an unsatisfactory position. The

88

11.5

Home

89

12.1

Finance

All Depts.

Committee desire that the Finance Department of the Government of Kerala should expedite the submission of the notes.

Revenue

12.5

90

The Committee feel perturbed to learn that cross-checks and further checks are disclosing further irregularities which had not originally come to notice. They, therefore, desire that a special scrutiny of similar cases in other Sales Tax Ranges may be undertaken at an early date to find out the amounts that had escaped levy of Tax as a result of irregular grant of exemption. The Committee would like to be informed of the result of such a scrutiny in due course.

Do.

12.7

91

The Committee are not convinced that so much time is needed to finalise such a case. In case such delay is inherent in the procedure, it is necessary to change the procedure. If it is due to negligence on the part of the officials, steps should be taken to avoid such delays. The Committee hope that such delays will not occur in future.

Finance

12.10

92

The Committee would like to invite attention to pages 71—74 of their 52nd Report (Third Lok Sabha), Vol. II—Appendices wherein the decisions of the Government of India referred to have been reproduced. The Committee are glad to note that the Government of Kerala are agreeable to the suggestion made by the Accountant General, Kerala, that a similar criterion may be adopted by the State Government also and that the monetary limit for 'expenditure for payment of grant to private body for repayment of a loan from Government or for writes off of irrecoverable loans', for treating it as

on New Service may be fixed at Rs. 50,000 or more, which is also the existing monetary limit for 'non-recurring grant'. The Committee recommend that the above suggestion may be implemented with immediate effect.

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Public Works

13.1

The Committee have come across several cases, (cf. paragraphs 6.10, 6.35, 8.14, 8.15, 8.40, 8.41, 8.42 of this Report), where the estimates of the projects were revised substantially after the projects were sanctioned. There were also substantial delays in their executions. As a result of large scale increase in the cost of projects, the returns originally expected of them were also reduced substantially.

Finance

13.2

Two major factors which normally have an important bearing on the decision whether to undertake a scheme or not are the cost involved and the benefits which would accrue to the people from the scheme. Once a scheme has been sanctioned and a commitment has been made, the work has normally to be completed even though it involves increased expenditure and reduced returns. The Committee would, therefore, stress that Government should take suitable steps to ensure that the initial estimates both as regards cost and the benefits are prepared after due investigation and on realistic basis, and also that the projects are completed according to the schedules chalked out, as far as possible.

