

**PUBLIC ACCOUNTS COMMITTEE
1965-66**

FORTY-SEVENTH REPORT

(THIRD LOK SABHA)

(Appropriation Accounts 1962-63, 1963-64, Finance
Accounts 1962-63 and 1963-64 and Audit Reports
1964 and 1965 relating to Government of Kerala)

VOL. I—REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1966/Phalguna 1887 (Saka)

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160	3.156	2	After the word "(February, 1963) Add "that the State"	
176	8.204	2	After the word "ad"	Add "hoc".
131	8.224	1	For "82,258.49 p."	read "82,256.49"
186	8.244	2	"affected"	effected
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- Proceedings of 91st sitting held on 8-3-66

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

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PUBLIC ACCOUNTS COMMITTEE

(1965-66)

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SECRETARIAT

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

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

(iii)

INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Forty-seventh Report on Appropriation Accounts, 1962-63 and 1963-64, Finance Accounts 1962-63 and 1963-64 and Audit Reports 1964 and 1965 relating to Government of Kerala.

2. The Appropriation Accounts, 1962-63, the Finance Accounts, 1962-63 and Audit Report, 1964 of the Government of Kerala were laid on the Table of the Lok Sabha on 23rd August, 1965. The Appropriation Accounts, 1963-64, Finance Accounts 1963-64 and Audit Report, 1965 relating to Government of Kerala were laid on the Table of the Lok Sabha on 22nd September, 1965. As the time at the disposal of the Committee was limited, they selected only some of the important paras from each year's Audit Report and examined them at their sittings held in the Legislative Assembly Chamber, Trivandrum from 27th October to 1st November, 1965 with the prior permission of the Speaker of Lok Sabha. A brief record of the proceedings of each sitting forms part of the Report (Part II)*.

3. The Committee considered and finalised the Report at their sitting held on the 8th March, 1966, at New Delhi.

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

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India and the Accountant General, Kerala.

6. They would also like to express their thanks to the officers of the Ministries of Home Affairs and Finance of the Government of India and Secretaries and other officers of the various Departments/

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

Organisations of the Government of Kerala for the co-operation **ex-**
tended by them in giving information to the Committee during **the**
course of evidence.

NEW DELHI;
March 18, 1966.

Phalguna 27, 1887 (Saka).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

I

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (PARA 15, Pp. 21-27 OF AUDIT REPORT, 1964 AND PARA 12, Pp. 14-18 OF AUDIT REPORT, 1965)

1.1. The Accounts for the years 1962-63 and 1963-64 disclosed the following excesses over Voted Grants and Charged Appropriations:

1962-63				
<i>Excesses over Voted Grants</i>				
Sl. No.	No. and Name of Grant	Final Grant	Expenditure	Excess
		Rs.	Rs.	Rs.
1	I. Agricultural Income-tax and Sales Tax	34,70,400	35,38,821	68,421
2	XII. Jails	42,79,200	44,18,907	1,39,707
3	XXI. Public Health Engineering	94,37,300	1,29,43,260	35,05,960
4	XXXII. Irrigation	1,57,31,000	1,62,95,780	5,64,780
5	XXXIII. Public Works	11,19,86,800	11,28,40,263	8,53,463
6	XXXV. Transport Schemes	4,24,65,800	4,25,93,568	1,27,768
7	XXXVII. Pensions	2,04,82,400	2,10,80,591	5,98,191
8	XLV. Capital Outlay on Irrigation	2,91,57,800	3,59,31,371	67,73,571
9	LI. Commuted Value of Pensions	1,50,000	2,26,183	76,183

Excesses over Charged Appropriations

Sl. No.	No. and Name of Appropriation	Final Appropriation	Expenditure	Excess
		Rs.	Rs.	Rs.
1	III. Excise	36,700	36,843	143
2	Debt Charges	4,86,39,000	4,91,66,825	5,27,825
3	XXXVII. Pensions	2,04,200	2,47,241	43,041
4	XLIX. Capital Outlay on Transport Schemes	1,10,000	1,41,412	31,412

1963-64

Excesses over Voted Grants

Sl. No.	No. and Name of Grant	Final Grant	Expenditure	Excess
		Rs.	Rs.	Rs.
1	I. Agricultural Income-tax and Sales Tax	36,95,100	37,98,965	1,03,865
2	X. District Administration and Miscellaneous	91,38,200	91,78,035	39,835
3	XII. Jails	47,20,000	48,56,409	1,36,409
4	XXI. Public Health Engineering	99,26,500	1,28,01,664	28,75,164
5	XXII. Agriculture	1,70,92,500	1,72,94,344	2,01,844
6	XXV. Animal Husbandry	56,38,500	57,39,002	1,00,502
7	XXXVII. Pensions	2,36,52,000	2,67,75,600	31,23,600
8	XLIII. Capital Outlay on Public Health	94,63,300	1,14,23,320	19,60,020
9	XLVI. Capital Outlay on Irrigation	2,86,26,900	3,93,86,577	1,07,59,677

Excesses over Charged Appropriations

Sl. No.	No. and Name of Appropriation	Final Appropriation	Expenditure	Excess
		Rs.	Rs.	Rs.
1	I. Agricultural Income-tax and Sales Tax	20,000	21,702	1,702
2	III. Excise	14,600	14,725	125
3	Debt Charges	5,65,80,400	5,76,07,982	10,27,582
4	XI. Administration of Justice	12,59,000	12,70,714	11,714

Sl. No.	No. and Name of Appropriation	Final Appropriation	Expenditure	Excess
		Rs.	Rs.	Rs.
5	XVII. General Education . . .	1,25,000	1,41,884	16,884
6	XXII. Agriculture . . .	..	6,72,781*	6,72,781
7	XXV. Animal Husbandry . . .	4,000	5,257	1,257
8	XL. Miscellaneous . . .	48,37,200	48,87,249	50,049
9	XLV. Capital Outlay on Industrial Development . . .	77,900	86,153	8,25

1.2. The following table compares the number and amount of excess over total voted grants during 1963-64 with the excesses in the preceding three years:

Year	No. of cases	Amount (In lakhs of Rupees)
1960-61	8	1,33.55
1961-62	11	1,40.18
1962-63	9	1,27.08
1963-64	9	1,93.01

1.3. The following table compares the number and amount of excesses over charged appropriations during 1963-64 with the excesses in the preceding three years:

Year	No. of cases	Amount (In lakhs of Rupees)
1960-61	7	64.69
1961-62	2	0.04
1962-63	4	6.02
1963-64	9	17.90

*Expenditure incurred on account of decretal payments of land acquisition charges without provision.

1.4. Notes explaining the reasons for the excesses under the various voted grants and charged appropriations during the years 1962-63 and 1963-64 have been furnished by the Departments concerned (Appendices II to XXVII).

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

(i) *Grant No. XII—Jails, 1963-64 (Voted)*

1.6. In the note on Group Head "22 Jails (a) (i) Superintendence" furnished by the Home Department (Appendix XI) it has been stated that the "expenditure under Contingencies was foreseen, but the proposal for Supplementary Grant was not submitted on the ground that the additional funds required were less than Rs. 5000. As per para 53 of the Travancore-Cochin Budget Manual no change in the estimates amounting to less than Rs. 10,000 under any sub-head of appropriation or detailed account head is to be proposed. Apart from this, usually explanation for variations for amount less than 10% or Rs. 10,000 whichever is less, need not be furnished in the Appropriation Accounts.

1.7. The Committee, however, learn from Audit that para 53 of the Travancore-Cochin Budget Manual relates to modifications to the budget estimates for the subsequent year. Paras 78-80 of the Budget Manual provide for provision of funds by reappropriation while paras 84-85 *ibid* allow taking of supplementary demand to cover additional expenditure. The Committee are therefore unable to accept the argument for not submitting proposals for supplementary Demand.

1.8. Nor do the Committee appreciate the contention of the Department that one of the reasons for allowing the excess to remain uncovered can be attributed to the fact of non-furnishing of reasons for variations for amounts less than 10 per cent or Rs. 10,000, whichever is less in the Appropriation Accounts.

(ii) *Grant No. XXI—Public Health Engineering (Voted), 1962-63.*

1.9. In the note furnished by the Health and Labour Department (Appendix XIII) it has been stated under Group-Head 30(e)(i)-5-Construction of tube-wells that the excess of Rs. 1,064 was due to misclassification. The Committee would like the various Departments to point out such misclassifications to Audit immediately after they came to notice, for rectification.

(iii) *Grant No. XL—Miscellaneous (Charged), 1963-64*

1.10. It has been stated in the note furnished by the Finance Department (Appendix XXIII) that an excess of Rs. 30,183 was as a result of amount deposited in the Courts during the year 1963 in satisfaction of court decrees.

1.11. From the note furnished, the Committee find that the amounts in satisfaction of court decrees were drawn in the months of October and November, 1963. Since there was sufficient time after the drawal of the amounts, the Committee do not understand why Supplementary Demands could not be obtained during the financial year to cover this expenditure.

1.12. The Committee find that excess occurred in several cases due to laxity of financial control and loose budgeting. The Committee feel, therefore, that a greater degree of financial control and accuracy in budgeting are called for in order to minimise cases of excesses. The Departments which have incurred expenditure in excess of the grants for two consecutive years need special attention.

1.13. Subject to these observations, the Committee recommend that the excesses disclosed in the Appropriation Accounts, 1962-63 and 1963-64, be regularised by Parliament in the manner prescribed in the Constitution.

II

AGRICULTURE DEPARTMENT

Avoidable expenditure—para 34, page 46 (Audit Report, 1964)

2.1. The quantity of "Bonemeal" required by the Agriculture Department for distribution at subsidised rate during 1958-59 was estimated at 13,908 tons. The quantity to be purchased, however, was fixed in the first instance as 4,000 tons in June, 1958 but reassessed as 6,000 tons in January, 1959.

2.2. Tenders were invited by the Director of Agriculture twice, first in June, 1958 for the supply of 4,000 tons and the second in January, 1959 for the supply of 2,000 tons. In the former case the contract was awarded to a firm which quoted the lowest rate of Rs. 314 per ton f.o.r. destination and in the latter case, it was entrusted to four contractors at increased rates ranging from Rs. 318 to Rs. 336 per ton according to the place of delivery. The extra expenditure owing to purchases having been made in two instalments amounted to Rs. 22,740 computed with reference to the lower rates obtained in June, 1958.

2.3. The Committee desired to know as to why an order was placed for the supply of 4,000 tons of bonemeal only, when the quantity required by the Department for distribution at subsidised rate during 1958-59 was estimated as 13,908 tons. The Additional Secretary, Agriculture Department stated in evidence that an assessment of the requirements was made in the beginning of the year on the basis of the district officers' report and the total requirements indicated were near about 13,000 tons. In the budget for the year, there was a provision of Rs. 5.75 lakhs for paying subsidies. It was decided to restrict the purchase to what would be absorbed by the amount of subsidy. The quantity which could be distributed on subsidy with the amount provided in the budget worked out to about 6,000 tons. There was a stock of 2,000 tons carried over from the previous year. On being asked about the difference between the two figures, the witness stated that it was the position at that time when the budget was prepared. Subsequently, there were some other proposals of giving short term loans to agriculturists to buy bonemeal and other fertilizers, which were not in view when the budget proposals were made.

As such, it was considered that the total demand would be much more than the original estimate. Actual purchase could not be made because of the limited budget provision.

2.4. On being asked to explain the meaning of 'giving of subsidy', in this case, the witness stated that after the stocks were purchased from the stockists, applications were received from the cultivators, who paid less than what it would cost the Government. Actual price to the cultivator was 25 per cent less than the cost price. That was the extent of subsidy.

2.5. Explaining why orders for 4,000 tons were placed, the witness stated that before the year began, the Department was separately negotiating with the manufacturers. There was a great scarcity of bonemeal and the Department was not getting adequate quantity. 56 manufacturers were approached to supply the bonemeal on negotiated basis. Replies were received from 5 or 6 persons. All of them put together were prepared to supply only 2,000 tons. In reply to a further question the witness stated that the Department was aware that it might not be possible to get the entire quantity of 13,000 tons which was assessed to be the requirement. The Department was also aware that it would be able to distribute 6,000 tons and in addition some additional quantity might be required for meeting the requirements in the first cultivation season of the following year.

2.6. The Committee pointed out that the Department wanted 6,000 tons—4,000 tons for distribution in the same year and another 2,000 tons for the following year and enquired as to why the purchase was split into two lots. The witness informed the Committee that the Department had already entered into negotiations with the manufacturers who had offered only 2,000 tons, while the demand was 6,000 tons plus 2,000 tons. It was anticipated that the purchase of 2,000 tons would materialise in two or three months and orders were placed for 4,000 tons. On being asked whether the Department had tried to get more than 6,000 tons, the witness replied in the negative and added that the Department was finding it difficult to get even 6,000 tons in the normal circumstances. The witness admitted that in no circumstances the Department could have fulfilled the estimate of 13,000 tons.

2.7. The Committee desired to know the basis of distribution of bonemeal. The Additional Secretary stated that it was distributed on a *pro rata* basis according to the demand made by the various districts. The Director of Agriculture informed the Committee that the distribution depended on soil conditions. If the soils were very

acidic, larger allotments were made and lesser allotments were made where soils were not very acidic and where other fertilizers could also be used. In reply to a further question, the witness stated that even if the estimates were called for from the District Agricultural Officers, a real assessment of the requirements was made at the headquarters before the orders were placed.

2.8. The Committee desired to know as to how the figure of 4,000 tons was fixed. The Additional Secretary stated that 4,000 tons was fixed on the basis of budget provision. The witness further explained that the total requirements worked out to 13,000 tons, which the Department knew would be difficult to get from the market. Secondly, there was not enough money provided in the budget to buy the bonemeal and distribute it at subsidised rate. The decision had to be taken immediately in regard to the quantity required to place orders. It was calculated that with the available budget provision, the Department would be able to subsidise to the extent of 6,000 tons only. The total requirement for the year was 6,000 tons plus 2,000 tons for the following year totalling to 8,000 tons. As against that, there was a held over stock of 2,000 tons.

2.9. In reply to a question the witness stated that because of the difficulty in getting the requirements through tenders, the Department went in for direct negotiations with the 56 people. The Department also thought that it would get its requirements at reasonable rates. On being asked whether the reason to reduce the quantity from 6,000 tons to 4,000 tons was due to the issue of a tender enquiry, the witness stated that it was not due to the issue of tender enquiries.

2.10. The Committee desired to know as to why the tenders were not invited for all the 6,000 tons. The Director of Agriculture informed the Committee that generally their experience had been that if the requirements for the year were intimated, the price in the market for the bonemeal went up. As the bonemeal was in very great demand, if they invited tenders all at once in a lumpsum for large quantities, the prices tended to go up. The prices went up in the market even if the tender for 3,000 tons or 4,000 tons was put up. The witness further added that it was a deliberate decision to restrict the tender to 4,000 tons. In reply to a question, the witness stated that the negotiations started sometime in December and the decision to enter into negotiation was taken a little earlier. Sometime in February, next year, the Director wrote to various people.

2.11. On being asked whether there was a notice calling for tenders, the witness stated that there was no tender notice to those 56

people and that was only an enquiry. On 11-1-1958, the Director was asked to assess the total requirements of bonemeal for distribution and the Director was also asked to state whether the bonemeal should be got through tenders or by direct negotiations with the manufacturers at the agreed rates which might be cheaper than the market price. A report was received from the Director sometime in April, 1958. The Director was holding negotiations with the manufacturers between January and April, 1958. The report of the Director was examined. After further correspondence, one firm had offered 500 tons, which was the biggest quantity. Soon after the orders were placed, intimation was received from the Government of India stating that the firm had been black-listed.

2.12. On being asked whether those 56 people were excluded when the tenders were issued, the witness replied in the negative.

2.13. In reply to a question, the witness stated that the total quantity required was not indicated to the manufacturers. They were asked to indicate the maximum quantity they could supply and the rates and terms at which they could supply. Only 6 persons had responded who accounted for only 2,000 tons. Since the negotiations completely failed, tenders were invited again.

2.14. On being asked as to what happened between June, 1958 (when decision to invite tenders for 4,000 tons only was taken) and January, 1959 (when issue of another tender was considered, the negotiations having failed), the witness stated that during that period, the Department was finalising arrangements for the purchase of 500 tons for which orders were placed on the firm. But by the end of the year the Department came to know that the particular firm had been black-listed. In a note recorded by the Secretary on 11th June, 1958 it was mentioned that the firm was supplying spurious manure to the Mysore Government and therefore, it was not safe to do business with the firm.

2.15. The Committee desired to know whether the Department negotiated with the party with whom the order for 4,000 tons was placed to increase the quantity to 6,000 tons at the same rate. The witness replied that the Department did not do so because the Department was still hoping that the negotiations would succeed. It was on 11th June, 1958 that the Department came to know that the party which had quoted the lowest rate in the negotiations could not be approached. But the Department was continuing correspondence with the 4 or 5 other parties to find out whether those parties could improve the terms of supply. The formal decision to give up negotiations was taken almost in the subsequent financial

year. He admitted, however, that in January they knew that indications were fairly dim but before the decision to issue another tender was taken, formal decision to abandon negotiations had not been taken although they knew that this was not likely to bear fruit.

2.16. In reply to a question the witness stated that the first successful tenderer tendered for the second tender also and supplied 400 tons in the second time.

2.17. An unhappy feature of this case is that although the requirements were estimated at 13,908 tons of bonemeal, and funds for subsidy were available for 6,000 tons, yet instead of attempting to purchase 6,000 tons, this quantity was split up into two lots and tenders were invited for 4000 tons only, at the beginning. The arguments advanced for doing so, that there was paucity of funds and there was scarcity of bonemeal in the market and that if all the requirements were put together in the tender the prices would have gone up are not convincing. For, funds for the entire amount of 6000 tons were available and the entire quantity was actually purchased, though in different lots. and prices paid for the second lot of 2,000 tons were much higher than the prices paid for the first lot of 4,000 tons. In the opinion of the Committee, the futile and prolonged efforts of the Department to procure 2,000 tons of bonemeal through negotiations instead of through proper tender, were hardly justified. In these circumstances, the Committee are unable to find proper justification for not purchasing all the 6,000 tons of bonemeal in one lot, which resulted in an extra expenditure of Rs. 22,740, which was avoidable. The Committee would, therefore, desire the Departments to guard against such cases which result in unnecessary expenditure to the Exchequer.

*Establishment of one hundred acre farms at Koothali and Kozha—
para 32. pp. 37—40 (Audit Report, 1965)*

2.18. In December, 1957, the State Government sanctioned the establishment of 2 farms of 100 acres each, one at Koothali in Kozhikode District and the other at Kozha in Kottayam District, with the object of conducting research on crops other than paddy, such as Mango, Sapota, Jack, Cocoa, etc. A grant not exceeding Rs. 1.83 lakhs was sanctioned by the Government of India for this scheme on condition that their share would be limited to certain prescribed proportions of the actual expenditure on recurring and non-recurring items. The total expenditure incurred on the scheme upto the end of March, 1964 amounted to Rs. 8.76 lakhs.

2.19. No research is reported to have been conducted (May, 1964).

Koothali Farm (Kozhikode District) Actual Expenditure: Rs. 3.67 lakhs (upto May, 1964) Started in January, 1958 in the area transferred from the Revenue Department

2.20. In May, 1959, the Department decided to abandon the site when it came to notice that the area would be submerged in the reservoir of the proposed Kuttiadi Irrigation Project. The site was, however, abandoned only in March, 1963, as an alternative site could be chosen after about four years in February, 1963; the site abandoned was transferred to the Revenue Department in November, 1963.

2.21. The total expenditure incurred for cultivation purposes (including land development) on the abandoned site was Rs. 2.39 lakhs (Establishment: Rs. 0.73 lakhs; land development: Rs. 0.25 lakh and other contingencies: Rs. 1.91 lakhs). Out of this, expenditure amounting to Rs. 1.45 lakhs was incurred after the decision of May, 1959 to abandon the site.

2.22. The receipts from cultivation during this period, amounted to Rs. 0.17 lakh. The net infructuous expenditure thus amounted to about Rs. 1.28 lakhs.

2.23. The Committee desired to know whether any research work on crops was being carried on at present in the farms. The Additional Secretary informed the Committee that it had since developed into a fairly good station and in Kozha some work was going on. The Director of Agriculture further informed the Committee that the different hybrid varieties under different conditions were being studied. The research work would commence after all the material had been collected. The witness further stated that on mango and sapota, observations had been started. The work had been planned according to a technical programme for carrying out research. The planting had been done on the basis of the research work to be conducted on those plants. After they attained the stage of flowering, the actual work would commence. On being asked about the delay of seven years from 1957 to 1964, the witness stated that the plants were planted in 1960, and they had to come to some stage and sufficient material had to be collected. On being asked about the remarks in the Audit Report, the Additional Secretary stated that technically, it was correct that no research had been done. But the foundations had been laid and they were in the stage of taking it further.

2.24. On being pointed out that the original scheme envisaged that it would take a period of 7 years before the research work was started, the Additional Secretary informed the Committee that the actual possession of land took sometime and there was uncertainty about the programme. There was also some controversy about the

unsuitability of the site etc.

2.25. The Committee desired to know as to why a sum of Rs. 1.45 lakhs was incurred in regard to Koothali farm after the decision to abandon the farm was taken in May, 1959. The witness informed the Committee that as soon as the decision to abandon the farm was taken, instructions were issued not to take up any perennial plants. The arecanut and coconut nurseries and the bullocks which were there had to be maintained. Whatever had been completed were continued to be maintained. The investigation of the Kuttiadi Project was sanctioned in November, 1958. There were changes in the technical decision in regard to the location of the dam and other things which was done in April/May, 1959. It was at that stage that orders were issued not to take up any expenditure which could be avoided. Instructions were also issued to look out for alternative sites and one site was tentatively approved. There was also considerable public agitation in the Kuttiadi area against the farm being shifted. So another attempt had been made to find out a suitable site in the same area.

2.26. On being asked as to how Rs. 2.89 lakhs were spent on the development of the land, the witness stated that there were lot of jungles which had to be cleared. Paddy swamp area had to be laid out into plots. The main drainage channels were dug. Heavy flow of water from the hillock was regulated by earthen bund reservoirs. Mud roads were also laid.

2.27. The Committee have been informed by the Department in a subsequent note (Appendix XXVIII) that a sum of Rs. 1,43,371 was spent on the Koothali Farm upto May, 1959 when a decision to abandon the site was taken. Out of the sum of Rs. 1.45 lakhs spent after May, 1959 and upto 31st March, 1963 (new site was taken possession of on 26th March, 1963), only Rs. 61,684 was spent for cultivation purposes. It has been stated further that no expenditure was incurred on the old farm (abandoned) after 31st March, 1963.

2.28. While the Committee appreciate that a research project of this nature does take time to mature, they feel that the time taken in this case was excessive. This was partly due to the subsequent decision to abandon the old site of the farm. The Committee also feel that if the delay of four years in abandoning the old site of the farm had been avoided, a substantial part of the expenditure of about Rs. 1.45 lakhs incurred on the old site could have been avoided.

2.29. The Committee hope that there would not be any undue delay in starting the actual research work at the new site of the Koethali Farm.

Kozha Farm (Kottayam District), Expenditure incurred. Rs. 5.18 lakhs (Upto March, 1964), Farm operation started in August, 1958—Para 32(b) (i), p. 39.

2.30. Land measuring 91.50 acres belonging to private parties was acquired at Kozha by the Agriculture Department in July, 1958 and May, 1959 at a cost of Rs. 2.33 lakhs.

2.31. In February, 1960, the Director of Agriculture reported to Government that this land was not fit for establishing the research farm and that the Department should not have taken possession of the site and referred in this connection to the report of an officer who had reported on the unsuitability of the site in 1958. An area of 62.75 acres has since been utilised for carrying out some exploratory trials on introduction and acclimatization of some new crops and for growing crops like ginger, tapioca, etc., to work out the economics of cultivation of such crops as inter-crops.

2.32. The Director of Agriculture stated in October, 1964 that 'a sound foundation has already been laid for starting research on all crops other than paddy'.

2.33. In reply to a question, the witness stated that in regard to Kozha farm, which was started in 1958-59, there was some controversy in 1960-61 and there was some pressure from some people for the site to be shifted which also contributed to some delay. It took five years to do experiment in this case.

2.34. The Committee drew the attention of the witness to the report of the Director of Agriculture made in February, 1960 about the unsuitability of the site as pointed out by an officer in 1958 and wanted to know why the Department had taken possession of the site. The witness informed the Committee that this particular report of the Director was made in a particular context. There was controversy about the unsuitability of the soil. The whole history was gone into and the Director dealt with the allegations and reported that it was not really bad. The land was only representative of the terrain and soil of the place. It was a fact that there was an expert report about the unsuitability of the land. The Director was not a technical person. The Director had stated that he did not feel

competent to over-rule the technical opinion. The soil was capable of being used because all over the area there were crops of that kind.

2.35. On being asked as to why this particular land was purchased in 1959 for the purpose for which it was not suitable according to the best technical opinion then available, the witness stated that in 1958 certain officer reported that it was not suitable at all for the purpose but on the file there was no definite reason given by the authority who had ordered acquisition as to why the technical opinion was over-ruled. The decision to over-rule the technical advice was taken in 1958 at the Minister's level. Asked whether the land was forced on Government as it could not be disposed of, the witness stated that about 45 to 50 acres of land was acquired from one family but there was nothing on the file about the acquisition.

2.36. On being pointed out that the land acquired by the authority was a different land and not the land seen by the Director of Agriculture, the witness informed the Committee that as far as the acquisition was concerned there was a report from the Director of Agriculture wherein he had stated that some land was shown to him on the basis of recommendations of the local officers and after inspection the land was acquired. In reply to a further question, the witness added that up to the end of 1963-64, an expenditure of Rs. 2,84,543 has been incurred which excluded the land acquisition charges.

2.37. The Committee feel perturbed over the revelations made in this case. The Committee find from the copy of the D.O. letter No. 1457/60/A.D.(As.p.4) dated 15-2-60 from the Secretary, Agriculture Department to Director of Agriculture furnished at their instance (Appendix XXVIII) that the Report of the experts dated the 17.3.58 clearly showed that the land was unfit for the purpose of starting the Research Farm. The Secretary had also pointed out that the inspection of the site by the then Director of Agriculture was not exhaustive. The Committee are surprised that in spite of this, the land for the farm was acquired in July, 1958 and May, 1959 at a cost of Rs. 2.33 lakhs after the technical opinion was overhauled in 1958 at the Minister's level.

2.38. In the same letter it has also been revealed that the Director of Agriculture had pointed out that the lands that were being acquired were not exactly the lands that he had seen before and that some of the good lands which had been shown to him and which would have been very useful for the Research Station, were not included in the acquisition. The result is that out of 91.50 acres of land acquired, only 62.75 acres have since been utilised for explora-

tery trials and an expenditure of Rs. 2,84,543 has already been incurred, excluding land acquisition charges.

2.39. The Committee desire that a thorough investigation should be made in this case in order to find out (i) why the acquisition was made under these circumstances and also (ii) who influenced the acquisition of this land. The Committee desire that responsibility should be fixed for this transaction which appears to be a product of unhealthy influence.

Para 32 (b) (ii), p. 39.

2.40. Sixteen out of twenty buildings acquired at a cost of Rs. 28,364 in the land acquired for the scheme were disposed of in auction in August-September, 1961 for a sum of Rs. 4,062 only. The successful bidders for the remaining 4 buildings had not remitted the sale value till May, 1964; the Department proposed to reacquire them (May, 1964).

2.41. In regard to the acquisition of 16 buildings the witness informed the Committee that most of the buildings were small huts which belonged to various parties. There were only one or two tiled buildings. An attempt was made to find out whether buildings could be used for purposes such as quarters. Only 9 were to be used out of 20 buildings. Some estimates for maintenance and repairs were prepared. It was not considered worthwhile to repair the buildings when it was found that on an average it would cost about Rs 3,000 by way of maintenance charges. So it was decided to dispose of the buildings. In the case of 4 buildings whose successful bidders did not remit the sale value, the earnest money deposited in the auction had been forfeited. Out of these four buildings, one had been dismantled by the builder himself and the other three were auctioned for a sum of Rs. 1,460 in all. On being asked whether there was any mention in the Project Report of the scheme that the buildings were also to be acquired for the purpose of implementing the scheme of research, the witness stated that the lands were to be acquired and along with that, houses had also been taken over.

2.42. In the opinion of the Committee, if most of the buildings were huts which could not be put to any use, no extra amount should have been spent in acquiring them along with the land.

Para 32 (b) (iii)—pp. 39-40.

2.43. The work of providing wire fencing to the farm at Kozha was entrusted to a labour contract society in March, 1959 at an esti-

mated cost of Rs. 16,538. As the society abandoned the work after executing a small portion of it, the remaining part of the work was entrusted to another contractor at higher rates in December, 1950 after inviting fresh tenders; the extra expenditure amounted to Rs. 14,978. Government stated (October, 1964) that the Registrar of Co-operative Societies had been asked to recover the amount from the society by withholding payments due to it.

2.44. In regard to the loss incurred as a result of entrusting the work of providing wire fencing to the farm at Kozha to a Labour Contract Society, the witness informed the Committee that a loss of Rs. 13,582 was incurred in the process. In reply to a question the witness stated that the Society was registered on 19.6.1958 and the contract was given in March, 1959. At the time of enquiry there were 75 members. On being asked whether any earnest money was taken from the Society for the execution of the work, the witness stated that under the rules earnest money was not collected from the Society and further added that the Labour Contract Society was started as an experimental measure, and in those years certain concessions were given which included the concession regarding the earnest money.

2.45. In reply to a question, the witness stated that the bank balance of the Society was about Rs. 30 and it had no other assets.

2.46. In reply to a further question, the witness stated that the work was entrusted by the P.W.D. and the Department had asked the P.W.D. to realise the amount. The Chief Engineer had stated that nothing could be realised. So the Registrar of the Co-operative Society was asked to find out whether anything could be realised through his Department. It had been found that the working of the Society was thoroughly bad and the Registrar had ordered the liquidation of the Society. The Registrar had reported that the assets of the Society were only Rs. 28 and so the loss could not be realised. On being asked as to how the Registrar could realise the dues from the Society, the witness stated that there was the moral pressure of the Department. The Society was working under the control of the Registrar and it could be persuaded to clear the dues. If it was not possible, the Society had to be liquidated and the liquidator could be asked to see whether the dues of the Government could be paid.

2.47. The Committee find from a note submitted by the Department subsequently that as on 30.6.1959 there were 729 members on the Society with a paid-up share capital of Rs. 780. It has also been stated that the Block Development Officer, Uzhavoor was the *Ex-Officio* President and the Junior Engineer, Kuravilangad was the *Ex-Officio* Member of the Co-operative Society (Appendix XXIX).

2.48. It passes the comprehension of the Committee, how the affairs of the Co-operative Society deteriorated to such an extent within a short period when an official was the President of the Society and another a Member. It indicates that these two officials were negligent of their duties and responsibilities and had not cared to safeguard the interests of the Government. The Committee would like the Government to take due notice of these lapses. They should also issue general instructions that when government officials are the office bearers of any Societies they should, *inter alia*, safeguard the financial interests of the government in any dealings of such societies.

Scheme for the development of rubber plantation—Para 36, pages 44-45. (Audit Report, 1965).

2.49. In June, 1961 Government allotted, free of cost, 77 acres of land to 22 persons under the scheme for the development of rubber cultivation in Mukkunnimala, Quilon District. The entire area was within the firing range of the Defence Department (which was established in 1937), but this was brought to the notice of Government by the Director of Rubber Plantations only in September, 1961, when the actual firing practice started. The lands allotted were resumed in July, 1962; fresh land was allotted free of cost to the persons at a different site. The resumption of the land already allotted involved the payment of Rs. 42,875 as compensation towards the value of improvements already effected therein.

2.50. Government stated in March, 1964 that the fact that the area fell within the firing range escaped the notice of the survey party also. In July, 1964, Government stated that action had been taken to fix the responsibility for the loss; but reported subsequently (December, 1964) that the matter was not being pursued further based on the report of the Chief Conservator of Forests that his Department had not been informed of the purpose for which the land in the possession of the Defence Department was put to use its effects on the adjoining area.

2.51. Explaining the nature of the Scheme, the Additional Secretary stated in evidence that the scheme was intended to provide some work to educated unemployed persons. 34 acres were given to each individual and persons were selected by a district committee. On being pointed out that the survey maps or the village records of the land should have indicated that the land stood in the name of the Defence Ministry, the witness stated that there were 70 and odd acres which belonged to the Defence Ministry and that area was not involved. The area was beyond those 70 and odd acres

where allotments were made. Subsequently, the Defence Ministry had informed the Department that they had a firing range in those 70 acres and certain area adjacent to that area had to be kept as a danger zone. Actually, there was no information about that earlier. The 77 acres had not been touched.

2.52. In reply to a further question, the witness stated that the Department came to know that the area came within the firing range in July, 1961 after the N.C.C. had started their practice from July, 1961.

2.53. He further added that the danger zone had to be maintained. The Department had no knowledge of the extent up to which the danger zone had been extended. On being asked whether there was any notification in regard to the firing range, the witness stated that there was no notification for firing range; but there was notification in regard to danger zone. The witness added that the Ministry of Defence when asked were not in a position to say whether there was any notification issued by them in that regard.

2.54. Asked whether the persons were told not to incur further expenditure on the land, after it came to the notice in 1961 that the area came within the firing range, the witness stated that there was no indication in the file to that effect.

2.55. In reply to a question, the witness stated that the scheme had provided for certain loans being given to the people to develop, improve and raise plantation. A sum of Rs. 750 per acre was given to each individual as per the scheme and the amount was paid in instalments. A sum of Rs. 22,780 had been paid to those educated unemployed people on 30th July, 1962.

2.56. In reply to a question, the Committee were informed that one individual was given Rs. 5,800 as compensation as he had constructed a fairly pucca house, installed 12 looms and was also running a school for weaving. Out of 3½ acres, 3 acres was to be used for rubber plantation and 50 cents could be used for house and other purposes.

2.57. The Committee desired to know the basis on which the compensation of Rs. 42,875 was calculated. The witness stated that compensation for the buildings put up there and for the improvements that had been made on rubber plantation was worked out by the Tehsildar appointed for the purpose with the help of local P.W.D. officers.

2.58. The Committee have been furnished with further information (Appendix XXX) on the following points:—

1. A note showing the date of allotment of land and the date when the allottees took actual possession, the amounts of loan given to each person, the dates when the loans were given, etc.
2. The date of communication from the Defence Department intimating about the firing range, in the area.
3. The basis on which compensation towards the value of improvements made in the land was arrived at.

2.59. The Committee feel unhappy to note that there was lack of co-ordination amongst various authorities, civil and defence, as a result of which the jungle area falling within the danger zone of the firing range was cleared and allotted for rubber plantation to individuals.

2.60. It is surprising that there was "no Gazette notification informing the public of the existence of the range of the danger zone behind it" (*vide* Minutes of meeting held on 3rd July, 1962, in the room of Chief Secretary to Government of Kerala). The Committee would desire that in all cases where firing ranges exist it should invariably be the responsibility of the authorities concerned to notify the public about the firing range and the danger zone. Apart from that, special efforts should be made to bring this fact to the notice of the local inhabitants, more so if the range is surrounded by jungle area.

2.61. It is needless to say that the Department of Agriculture are not also free from blame in this case. It transpired at the meeting held on 3rd July, 1962 in the room of the Chief Secretary to Government of Kerala, that even in 1960 when clearance of the forest area was taken up by the Director of Rubber Plantations, there were complaints that firing prevented the contractors from utilising all the time available. But all the action taken at that time was to come to an understanding with army authorities to clearly specify the periods during which the target practices took place in order to facilitate the clearing of the forest growth during the clear period.

2.62. It is clear therefore that the Department had knowledge of the danger involved even in 1960, and in spite of this, they went ahead with the work of clearance of forests and allotment of land for culti-

vation. This action, which is inexplicable, has resulted in Government's getting involved in paying compensation of Rs. 42,785 which was totally avoidable.

2.63. The Committee are also surprised that even in 1961 the individuals were not told not to incur further expenditure on the land, when it was officially known that the area came under the danger zone. The Committee hope that such lapses would be avoided in future.

III

EDUCATION DEPARTMENT

Obsolete text books—para 96(ii), p. 114 (Audit Report, 1965)

3.1. The Text Books Office, Trivandrum has the monopoly of supplying Text Books required by schools in the State. In a number of cases, apparently owing to over estimation of actual requirements large stocks of Text Books remained unsold, year after year. The cost of books so rendered obsolete during the six years ended March, 1963 (excluding cases where the balance stock was less than 10 per cent of the total number of copies printed/purchased and less than 5,000 copies) amounted to Rs. 6.30 lakhs, at 70 per cent face value (percentage adopted for valuing closing stock). A part of the stock of books rendered obsolete by March, 1960 and costing Rs. 3 35 lakhs was sold by auction in December, 1961 as waste paper fetching only about Rs. 26,835 which worked out to 8 per cent of the cost price. Balance stock of value of Rs. 2.95 lakhs is to be disposed of (October, 1964).

3.2. Explaining the reasons why large number of copies of text-books were left unsold due to over-estimation, etc., the Secretary, Education Department stated in evidence that the estimates for printing of text books were usually prepared by a Committee which included the Secretary, Education Department, Director of Public Instructions, the Text Book Officer and the Press Superintendent. That Committee generally took into consideration certain factors such as the number of copies sold during the previous year, the number of students in the particular standard during the year or the previous year and the possible increase in the number of students during the following year for which the books were being printed. It also took into consideration the possibility of second-hand books being purchased by the students. On that basis the number of books to be printed were determined and the Government Press Superintendent was asked to print the books. The witness further stated that Kerala was the only State where the printing of text books had been entirely nationalised. 468 items were printed during the period from 1958 to 1963.

3.3. The Secretary further stated that it might be possible that the Department might have estimated the number of books on a liberal basis as otherwise there would be criticism if the books required by the students were not supplied, especially when the State had nationalised printing of text-books. The Department had been abundantly cautious and had taken care to see that books required were printed. The witness added that there were instances, where students had not purchased any books.

3.4. The Committee desired to know whether a situation like the one dealt with in audit para would not arise if text-books were declared obsolete or were changed very often. The witness stated that normally they changed the syllabus once in five years. But there were instances where the changes were made for other reasons. The text-books were changed in 1958 but again in 1961 owing to recommendation of Mudaliar Commission Report. The Director of Public Instructions added that the value of books which became obsolete was Rs. 6 lakhs. The witness further added that in 1958-59, new syllabus was introduced as the duration of schooling was reduced from 11 to 10 years. New text-books were introduced in that year in the 1st, 5th and 8th standards. During the following year, only the books of the previous year became obsolete in the higher standard.

3.5. The witness agreed with the Committee that it would be ideal if they could plan ahead on the basis of the knowledge about the text-books that were going to run out, but pointed out that on practical side some difficulties about margin of shortages, demurrages, damages, etc., and books being spoiled in transit area.

3.6. In reply to a further question, the Director of Public Instructions stated that text-books were drawn up with reference to syllabus when the text-book scheme was nationalised. The change of the school term from 11 to 10 years also had necessitated the rewriting of text-books. The adoption of Mudaliar Commission Report also had necessitated further rewriting of text-books on all the subjects.

3.7. On being asked about the loss or gain under the scheme of nationalisation of text-books the Secretary stated that if the average for the last few years was taken, the gain would be about Rs. 20 lakhs a year.

3.8. On being asked whether the Department had found out the possibility of distributing the books to poor students before those were disposed of as waste paper, the witness stated that there was

already a scheme to distribute free books to poor students of lower classes. But these particular books were of no use as those books were obsolete.

3.9. The Committee desired to know whether the printing of text-books was delayed or held up for want of printing papers at any time. The Secretary stated that the printing of text-books was not delayed for want of paper in any case, and no case had happened where due to delay in printing text-books had become obsolete.

3.10. While noting the difficulties on the practical side that exist about fixing more accurately the number of text-books to be printed, the Committee would like the Education Department to make greater efforts in this regard so that the possibility of large number of text-books becoming obsolete could be reduced to the minimum.

3.11. As regards the obsolete books, the Committee would like the Department to consider the feasibility of distributing them through Adult Literacy Scheme for whose purpose the text-books for schools even though obsolete may be of some use.

IV

HEALTH AND LABOUR DEPARTMENT

Subsidised Housing Scheme for industrial workers—Para 19(i), pages 30-31 (Audit Report, 1964).

4.1. The scheme aims at providing houses for industrial workers governed by the Factories Act, 1948. It was introduced by the Government of India in September, 1952. The Government of India provides financial assistance by way of loans to the extent of 50 per cent of the cost and subsidy for the balance in regard to houses constructed by the State Government; they provide loans to the extent of 50 per cent of the cost and subsidy to the extent of 25 per cent in the case of houses constructed by other employers.

4.2. The amount of loans and subsidy received from the Government of India upto 1962-63 and the expenditure incurred by the State Government are indicated below:—

A. For construction of houses by the State Government

Years	Loan	Subsidy	Total assistance	Total expenditure	Amount of assistance not yet utilised
(1)	(2)	(3)	(4)	(5)	(6)
(In lakhs of rupees)					
Upto and including					
1960-61 . . .	5.85	7.05	12.90	7.55	5.35
1961-62 . . .	0.58	0.50	1.08	0.62	0.46
1962-63 . . .	1.97	3.66	5.63	0.21	5.42
TOTAL . . .	8.40	11.21	19.61	8.38	11.23

B. For construction of houses by other employers

Years	Loan received	Subsidy received	Disbursements by State Government	
			Loans	Subsidy
(1)	(2)	(3)	(4)	(5)
(In lakhs of rupees)				
1959-60	..	..	0.48	..
1960-61	0.96	0.48	0.48	0.48
1961-62	..	..	1.93	..
1962-63	1.93	..	0.77	0.67
TOTAL	2.89	0.48	3.66	1.15

4.3. It will be seen that 57.26 per cent (Rs. 11.23 lakhs) of the total assistance received for construction of houses by State Government has not been utilised by the end of March, 1963.

4.4. The Committee desired to know the reasons for the non-utilisation of Rs. 11.23 lakhs. The Secretary, Health and Labour Department stated in evidence that the subsidised Housing Scheme for industrial workers was not popular in Kerala. In fact the Department was finding it difficult to convince industrial workers or the management to come forward to take up the scheme. In reply to a question the witness stated that the people who occupied the houses were also to pay some rent. Further, workers in Kerala were not used to live collectively in rooms. They preferred to live in isolated places. The witness stated that it was doubtful whether it would be practical to continue the scheme. On being asked as to why then money was withdrawn from Central Government every year, the Secretary stated that in 1960-61, the total assistance was Rs. 12 lakhs which had subsequently come down to Rs. 5 lakhs. It was a sort of adjustment year by year.

4.5. The Committee desired to know from the Joint Secretary, Ministry of Finance, Government of India as to how the Central Government went on giving money for the scheme. The Joint Secretary, Ministry of Finance informed the Committee that the question had to be viewed in the context of Central assistance. From the way in which the Central assistance for the Plan was calculated, it was clear that not only in this case but in a few other cases also, there might have been overdrawal by a State Government. Amounts drawn for a particular scheme might have been utilised for some other scheme. But the total assistance which went into the Plan as such had not been exceeded. He added that this figure had to be verified from the previous year's figures but the Central Government could not always get the figures correctly reported by the States in time.

4.6. On being asked whether the Central Government had been informed that as the scheme was not popular, the Department would not be able to achieve the target, the Secretary, Department of Health and Labour stated that the progress reports had been sent regularly and it had been mentioned that the scheme was not popular.

4.7. In reply to a further question, the Joint Secretary, Ministry of Finance, Government of India explaining the pattern of Central assistance stated that the State plan was jointly financed by the Central and State resources. These two put together made the size of the State plan and that was the first stage. In the second stage, the quantum of grant out of the money that would be passed on by the Centre to the various schemes was determined. Then the percentage of loan and/or grant to be given under the main scheme was allocated and the total amount was thus made up of loan component and grant component. After that was determined, the States were informed of the schemes for which Central assistance would be given. But that was only conceptual. In effect, the Centre was not giving the States any assistance for a particular scheme. But in order to safeguard against any diversion of resources easily from these schemes which were important from a national angle, the Central assistance was tagged on to certain schemes. Asked if the Central Government would not be a loser in the case where money was given to a State without interest or money which was not refundable, if the State utilised it for a scheme other than that for which it was given, the witness admitted that it was correct but pointed out that when all the payments made were totalled up and any excess was found, the Centre could deduct it.

4.8. The Joint Secretary, Ministry of Finance further informed the Committee that the Government of India did not permit diversion of funds from one head of development to the other without the consent of the Planning Commission. Moreover, as a result of past experience, the Government of India and the Planning Commission had made transfer from certain heads not permissible under any conditions.

4.9. In reply to a further question, the witness stated that there were different housing schemes, in some of which subsidy element was higher and the loan element was lower.

4.10. The Committee feel unhappy to note that despite the fact that the State Govt. had mentioned in their progress report that the Scheme was not popular they continued to get higher loans and subsidy from the Central Government. The result is that 57.26% of the total assistance received for construction of houses by the State Government had not been utilised by the end of March, 1963. The Committee, therefore, desire that the Central Government in consultation with the State Government should find out whether the Scheme as at present should be continued or not and what alternative scheme, if any, should be devised.

4.11. The Committee would also like to be informed of the recoveries made so far against loans advanced to private employers.

4.12. In a written note (Appendix XXXI) submitted subsequently the Committee have been informed that as the final figures are yet to be arrived at, it is not possible now to know the exact amounts spent out of the subsidy portion as well as loan portion of the assistance from the Govt. of India. The Committee would like to be apprised of this information at an early date.

4.13. From a note furnished at the instance of the Committee by the Ministry of Finance (Department of Coordination) (Appendix XXXII) the Committee note that the Subsidised Industrial Housing Scheme is a State Plan Scheme included in the Head of Development 'Housing'. It has been stated further that in the present case there is an anomaly that the assistance is larger than the expenditure and steps were being taken to correct this, by suitable readjustments of assistance among the various Housing Schemes or by recovery of the excess, if necessary. (In another note furnished by the Department of Health and Labour Government of Kerala, it has been stated that the Scheme was introduced in September, 1962).

4.14. While the Committee note that the Subsidised Industrial Housing Scheme is a State Plan Scheme for which financial assistance is given by the Government of India to the State Governments and through them to other approved agencies for the construction of houses for industrial workers, it is unfortunate that the Government of India continued to give assistance inspite of the fact that the scheme had not been popular as pointed out by the State Government itself. The Committee would, therefore, like that apart from correcting anomaly in regard to the assistance being larger than the expenditure, the broader aspects should also be considered with regard to similar schemes that might have been included in the Plans of other States.

Non-utilisation of land acquired for the construction of the houses, para 19 (ii), p. 31 Audit Report, 1964):

4.15. 7.83 acres of land acquired during the period from September, 1954 to June, 1955 at a cost of Rs. 52,021 have not so far been utilised. Further, 18.61 acres costing Rs. 29,071 acquired for the scheme were subsequently utilised for other purposes. The particulars are given below:—

Sl. No.	Name of the colony for which acquired, month and year of acquisition and the cost of land	Remarks
1	2	3
1	Vijaya Mohini Mills, Trivandrum—3.51 acres acquired in September, 1954—Cost Rs. 28,983.	Out of 3.51 acres acquired for the scheme, 1.01 acres (proportionate cost Rs. 8,340) were considered to be in excess of requirements and were utilised for the Settlement Scheme. But in January, 1962 the mills reported that 2.50 acres of land were not adequate for providing houses for their workers. This area is remaining unutilised pending the acquisition of the additional land required (May, 1963) (Cf. paragraph 14 of Audit Report, 1958, Part I).

1	2	3
2 Lakshmi Textiles, Trivandrum —73 cents acquired in December, 1954—Cost Rs. 25,960.	The mill authorities are not willing to construct the houses. (cf. paragraph 15 of Audit report, 1958, Part I).	
3 Kundara—22.20 acres acquired in June, 1955—Cost Rs. 26,149.	No industrialist came forward to implement the scheme. The proposal in February, 1957 to distribute the land under the Poor Housing Scheme, also could not materialise as no co-operative society came forward to undertake the work.	
	Government have ordered in January, 1960 that the land should be distributed free of cost under the Settlement Scheme. A committee was formed to select eligible persons; but 17.60 acres of land only could be distributed in March, 1963 to 176 out of 196 persons selected by the committee as they alone executed the necessary agreements. The distribution of the remaining 4.60 acres has not been made so far (September, 1963).	

4.16. Explaining the reason for the non-utilisation of the land, the Secretary, Health and Labour Department stated that in this case also people were not coming forward to make use of the land. The Department had been thinking of utilizing the land for some other purpose. In reply to a question, the witness stated that the acquisition was not probably done with full planning. Collectors were asked to contact these people in order to see that something was done. But nothing was done. Owners of industries were not ready to come forward. In regard to Vijaya Mohini Mills, the Additional Secretary, Board of Revenue stated that originally it was thought that the industrialists would construct houses for the labourers, but they ultimately had backed out from the scheme. As a result of that, the site had been utilised for other purposes. The witness admitted that the effort to induce the industrialists to construct houses was a failure.

4.17. On being asked whether the mill-owners were consulted before the land was acquired, the witness stated that the scheme was launched only after consultation with the mill owners. No agreement was executed with the industrialists about it. There was no question of the Department enforcing the scheme. He further stated that the Government had paid for the acquisition from the allotment under the subsidised scheme.

4.18. The Committee enquired as to how they could pay for the acquisition of the land, when the scheme ultimately was of private industries. The witness informed the Committee that the amount provided would be finally adjusted under the scheme.

4.19. The Committee desired to know the basis on which the price of land was fixed. The witness stated that the Land Acquisition officer had fixed the price taking into account the price prevalent in the locality. The first two cases were in the Trivandrum District and the third case was in Quilon District.

4.20. The Committee have been furnished with further information called for with regard to this case (Appendix XXXIII).

4.21. The Committee regret to find that Government took eleven years to come to the conclusion that the scheme was a failure and therefore the land should be utilised for some other purpose. It is unfortunate that Government should have taken such a long time to come to the conclusion that the scheme was not succeeding.

4.22. In the opinion of the Committee one of the reasons for the failure of the scheme is the fact that the scheme was not fully discussed with the industrialists and no written agreements were executed with them. Moreover, no initiative was taken by the Department to persuade the industrialists to come forward except to ask the Collectors to persuade the industrialists. Therefore the whole matter was treated in a routine manner and it was not given the attention it deserved.

4.23. The Committee learn from the note that in the case of Vijaya Mohini Mills a proposal to implement the scheme for the economically weaker sections of the community in an area of 1.50 acres was under consideration of Government.

4.24. In the case of the Lakshmi Textiles, Karamana, a proposal is stated to have been received from the District Collector Trivandrum that more than 50 cents of land would be required for allotment to persons repatriated from Burma. The balance area of 23 cents of land is stated to have been recommended either to be reserved for allotment to those who may be evicted from any project or for allotment to fresh repatriates from Burma or for allot-

ment to deserving persons. This proposal is also stated to be under consideration of the Board of Revenue.

4.25. As regards the scheme at Kundara, it has been stated that 189 persons have occupied the blocks before 31st March, 1965. One block was allotted to the Kottamakara Panchayat for starting a primary school in the colony on 26th November, 1964. That Panchayat have now applied for 5 blocks for the primary school and the six vacant blocks are being kept in reserve.

4.26. The Committee trust that decisions in respect of all the three cases will be taken at an early date so that the land could be properly utilised.

Loss of rent due to delay in allotment/occupation, para 19(iii) pp. 31-32 (Audit Report, 1964)

4.27. Out of 300 houses constructed by Government upto March 1963, 50 were transferred after about three years of completion (during which period these were mostly vacant) to a co-operative society at Quilon for being utilised under the Poor Housing Scheme. A number of other houses have remained unallotted for long periods ranging to 7 years. The number of houses vacant on the 31st March, 1963 was 103.

4.28. In respect of two colonies the total loss of rent, after allowing a period of 6 months from the date of completion for necessary formalities connected with allotment, amounts to Rs. 59,200 upto the end of March, 1963, as shown below:—

Name of the colony	No. of houses constructed and the month of completion	No. of houses allotted Within 6 months of completion	After 6 months of completion	Not yet allotted & occupied (September 1963)	Loss of rent computed from a date 6 months after completion
(1)	(2)	(3)	(4)	(5)	(6)
Travancore Rayons, Perumbavur.	50 March (1956)	Nil	Nil	50	Rs. 31,200
Araka Textiles, Alwaye.	50 January (1958)	Nil	Nil	50	28,000

4.29. In addition to the above, 7 houses out of 296 constructed under the scheme by private employers were vacant on the 31st March, 1963.

4.30. The reasons for the delay in allotment have been stated to be as follows:—

- (a) delay in provision of electricity and water;
- (b) unwillingness of the industrialists to take over the houses;
and
- (c) rent being considered high by workers.

4.31. The Committee desired to know the number of houses out of 103 houses which were vacant in March, 1963 which had been at present allotted and occupied. The Secretary stated that at present only five houses were vacant. On being asked whether the Department had been able to reduce the rent which had been considered to be high by the workers, the Additional Secretary, Board of Revenue stated that the rent had been slightly reduced. The Department had correspondence with the Central Government in that regard.

4.32. The Committee have been informed in a subsequent note furnished by the Department (Appendix XXXIV), that a further loss of Rs. 5,600 was sustained from 1st April, 1963 to 31st October, 1965 for non-occupation of 100 houses referred to in the Audit para, thus bringing the total loss of rent due to non-occupation of these 100 houses, to Rs. 64,800. It has also been mentioned that in respect of 100 houses in two projects, the delay in occupation was due to delay in providing common amenities. **The Committee deprecate such delays which result in huge loss of rent to Government. They hope that while building houses, simultaneous provision for ancillary services would be made so that there is no time-lag between the completion of the construction of the buildings and their occupation.**

Infructuous expenditure, Para 21 (i), pages 32-33 (Audit Report, 1964).

4.33 In July, 1959, the District Collector, Quilon acquired and took possession of 5 acres of land in Thrikkaruva village in Quilon Taluk at a cost of Rs. 71,087 for settling 100 poor families under the 'Settlement Scheme'. At the time of actual demarcation of land for the purpose of allotment, taken up in June, 1960, an area of 94 cents was found to have been submerged in water for long. As this defect was omitted to be noticed by the Land acquisition

Officer before passing the award in July, 1959, the full amount of compensation, viz., Rs. 71,087 had to be paid during July, 1959 and September, 1961. The infructuous expenditure representing the proportionate compensation payable for the submerged land amounted to Rs. 13,364.

4.34. At the instance of Government, the Board of Revenue required the District Collector in September, 1961 to fix responsibility for the irregularity and to examine the question of recovering the amount involved from the persons responsible.

4.35. The Committee desired to know as to how an area of 94 cents of land being submerged in water was not discovered at the time of acquisition. The Additional Secretary, Board of Revenue informed the Committee that the Department had called for the explanation of the Tahsildar and the village officers who had prepared that acquisition statement. Disciplinary action was being taken against the Tahsildar. It had not been finalised, as their explanations were still awaited. In reply to a question the witness stated that the Tahsildar had retired from service. On being asked as to what action was contemplating against the retired Tahsildar, the witness stated that if the disciplinary proceedings were initiated prior to his retirement, the Department could certainly take action and recover the loss. In the other case the Department could also take action under the Public Accountants Act, if the Department came to the conclusion that the person involved was actually responsible for the loss. The proceedings had been initiated after the retirement and the action was possible under the Public Accountants Act. As a Government servant, if he was liable to the State under any account and if he had property, it might be recovered from him. The witness admitted the delay in the completion of the disciplinary proceedings.

4.36. The Committee desired to know whether any action had been taken to improve the system. The witness informed the Committee that steps had been taken to see that the disciplinary action was expedited. A time limit had also been fixed. Officers personally watched the progress of disciplinary proceedings.

4.37. On being asked whether any responsibility had been fixed for not taking disciplinary action in time, the witness stated that it had not been done. The Secretary further stated that at the Government level, action had been taken to see that disciplinary proceedings were expedited. Now there was also the Vigilance Commissioner in the State. The whole question was being examined and it was being made more effective.

4.38. In reply to a question, the Additional Secretary, Board of Revenue stated that the Collector who was asked to fix responsibility in September, 1961 did not appear to have informed Government about the retirement of the Tahsildar.

4.39. At the instance of the Committee a detailed note has been furnished by the Department showing chronologically the action taken against the persons involved, the delays that took place and other connected matters (Appendix XXXV). The Committee note that the Board of Revenue is taking action to adjust the entire amount of death-cum-retirement gratuity (Rs. 4,890) due to the Tahsildar involved in this case. The Board also propose to effect a cut of Rs. 5/- from the pension due to that person. The District Collector was also being directed to recover the entire balance amount of loss (after adjustment of Rs. 4,890) from the Village Officer responsible under the Travancore-Cochin Revenue Recovery Act.

4.40. The Committee, however, are not convinced with the reasons advanced for the delay in taking disciplinary action. The Committee find from the notes furnished that on the basis of Quilon Distt. Collector's Report submitted on 12-6-63 the Distt. Collector, Alleppy was directed by the Board of Revenue not to issue the "non-liability" certificate to the Tahsildar involved, who was working as Block Development Officer in Alleppy District. The records which were with the Distt. Court (due to which it was stated, disciplinary action could not be initiated by the Collector) were received back on 31-5-1963 and the Tahsildar involved retired from service in March, 1964. The Committee are surprised to find that inspite of the fact that, at the instance of Govt., the Board of Revenue required the District Collector as early as in September, 1961 to fix responsibility for the irregularity, and to examine the question of recovering the amount involved from the persons responsible, the matter has been allowed to linger for more than 4 years. In the meantime, the Tahsildar involved in the case has retired from service in March, 1964. Such abnormal delays in finalising a case, despite Government orders, are indicative of slack Administrative machinery.

4.41. The Committee have also been informed that necessary action for finding out officers responsible for the delay in this case is being pursued by Govt. in the Revenue Deptt. The question of issuing suitable orders and instructions for preventing the recurrence of such cases, is stated to be under consideration of Govt. The Committee hope that action on both these points will be taken without further loss of time and intimated to the Public Accounts Committee.

Infructuous expenditure, para 21 (ii), p. 33 (Audit Report, 1964)

4.42. While extending the Rural Water Supply Scheme in force in the Travancore-Cochin area to Malabar area with effect from the 1st April, 1959, Government decided in November, 1958 to transfer the responsibility for the execution of the spill-over works of the Rural Water Supply Scheme (Composite) from the Revenue Department to the Public Health Engineering Department. Most of the works thus handed over to the Public Health Engineering Department were reported to have collapsed or were in a dilapidated condition due to defective construction by beneficiaries (who had undertaken to execute the works) and to ineffective supervision by minor irrigation maistries. Government, however, ordered in February, 1962, the payment of unsettled claims to those who had executed the works, on the assessed value of work done, based on measurements, if any, already taken or to be taken from the remnants of the collapsed works. Accordingly, payments totalling Rs. 28,197 were made by the Public Health Engineering Divisions, Kozhikode and Cannanore during 1961-62 and 1962-63.

4.43. Government stated in January, 1964 that responsibility could not be fixed on any one for the works carried out years back and the amount could not also be recovered from the parties at fault.

4.44. Explaining the background of the case, the Secretary informed the Committee that the Rural Water Supply Scheme in Malabar area used to be under the control of District Collectors. In Travancore-Cochin area, it was under Public Health Engineering Department. After the integration in 1956, the control by the Public Health Engineering Department was extended to Malabar area also. Though the scheme was initiated in 1956, the actual control was transferred in 1959. During the period of 3 years nobody took serious responsibility in that regard. When it came under the Public Health Engineering Department in 1959, it was found that a number of wells were lying unutilised, partly incomplete and some had collapsed. Then arose the question of beneficiaries, who had spent money. The Government had considered the whole thing and had decided that because of the delay, the common man should not suffer. Accordingly, the claims of those who had executed the works, were settled on the assessed value of work done.

4.45. The Committee desired to know as to how the figure of Rs. 28,197 given to the people was arrived at. The witness stated that there was a Government order issued in that regard. The for-

mula was laid down in that order. The engineers went to the spot and made the assessments.

4.46. The Committee regret to note that during the period from 1956 to 1959 nobody took serious responsibility in regard to the spill-over works of the Rural Water Supply Scheme (Composite). The Committee need hardly emphasize that such an attitude on the part of Govt. Deptts. and officials, especially in cases where the people have spent money for obtaining benefits, should be viewed seriously by the Government and such tendencies should be curbed by taking deterrent disciplinary action against delinquent officials promptly. Transfer of an item of work from one Deptt. to another should not be taken as a valid excuse for neglecting that item of work, nor should it present any insuperable difficulty in fixing responsibility for such negligence.

4.47. In this connection, the Committee would like the Govt. to review the procedure for taking disciplinary action in the case of employees of the State Government and see whether such action could not be speeded up to avoid difficulties in locating responsibility due to lapse of time.

Extra expenditure, para 22(i), pages 33-34, (Audit Report, 1964)

4.48. In March, 1962, the Director of Health Services invited tenders for the supply of 8,700 vials of injection of Corticotrophin. Although the tenders were opened on the 18th May, 1962, the Director made his recommendations to Government only on the 6th August, 1962, after the date of expiry of the period of validity of the tenders (31st July, 1962). The firm which had quoted the lowest rate of Rs. 1.98 per vial demanded an increased price of Rs. 3.50 per vial which was not accepted. Fresh tenders were invited in January, 1963 and the lowest tender of Rs. 3.50 per vial offered by another firm was accepted by Government in February, 1963. The extra expenditure which would have been avoided if the lowest tender originally received had been accepted in time amounted to Rs. 13,000.

4.49. Explaining the position, the Director of Health Services informed the Committee that the Corticotrophin was a steroid. It was used in cases of anaphylactic shock as anti-inflammatory agent. It was also used as an anti-allergic agent. In regard to delay in accepting the tender, the witness stated that the tender consisted of 42 items and there were 72 tenderers. Tabulation took time in all the cases. Tenders were opened on the 18th May, 1962. On 18th July, it was found that the tabulation had not proceeded in time. On

being asked whether there was any item, out of 42 items, in which case decision was taken in time, the witness stated that none could be decided in time because the tender was taken *en-block* and added that there was no loss or gain because all the other firms had accepted the rates originally quoted by them.

4.50. In reply to a question, the Secretary stated that as far as the Government were concerned, it had been agreed that two months was a slightly long period to tabulate. The witness conceded the delay and stated that the official concerned had been punished for that lapse. The Director of Health Services added that the increment of the person concerned had been stopped for one year.

4.51. On being pointed out that the Department took one year to supply the medicines to the hospitals, the Director of Health Services stated that owing to emergency there were certain import restrictions and as a result of that the tenderers were not in a position to manufacture the product which was the reason for the delay. When the Committee pointed out that the delay was on the part of Government for which they had to pay highest price, the Director of Health Services stated that the particular firm had under-quoted and others probably anticipated the exact price and quoted the correct price.

4.52. The Committee are unable to accept the reasons advanced for the delay on the part of Director of Health Services in communicating his recommendation to Government. It is incomprehensible that when it was known that the validity of the tenders expired on 31st July, 1962, a time of about two and a half months was taken only in tabulation and the recommendations were made on 6th August, 1962 after the period of validity of the tenders had already expired.

4.53. The Committee also feel unhappy that due to the delay on the part of Directorate of Health Services, Govt. were involved in an extra expenditure of Rs. 13,000, which was avoidable. The Committee note that in this case, the responsibility has been fixed and disciplinary action taken for the undue delay that occurred in the tabulation of various items involved. They would like that suitable instructions are issued by the Finance Department that in all cases decisions with regard to tenders should invariably be taken within the prescribed date to avoid possibility of financial loss to Government.

Para 22 (iii), p. 34 (Audit Report, 1964)

4.54. (a) In April, 1962, the Executive Engineer, Public Health Division, Trivandrum invited tenders for the transportation, during 1962-63, of materials comprising three different groups. The tender schedule did not specify the probable distances over which the materials were to be conveyed; the rates were to be quoted separately for (i) conveyance per ton per mile and (ii) for loading and unloading of materials into/from the railway wagons, lorry, etc.

4.55. Contractor 'A' quoted the lowest rates for the item loading and unloading etc. and contractor 'B' for the item of conveyance. As, taking the distance as one mile, the composite rate of contractor 'A' was found to be the lowest. The work was allotted to him by the Chief Engineer in June, 1962.

4.56. In actual execution, the materials were transported over distances ranging from 50 to 255 miles. The composite rate of contractor 'B' being lower for transportation over such long distances, the extra expenditure in allotting the work to contractor 'A' amounted to Rs. 31,300.

4.57. In February, 1964 Government stated that certain unforeseen contingencies, viz., transportation of materials for longer distances beyond normal expectation, were met with.

4.58. (b) In connection with the same work during 1961-62 also, an extra expenditure of Rs. 5,400 had been incurred owing to incorrect estimation of the quantities of materials to be transported, as indicated below:—

4.59. The work pertaining to all the three groups was awarded to a contractor as the total amount of his tender based on the estimated quantities was the lowest (although among the three groups, his rate was the lowest only for one group). In actual execution, however, the materials transported pertaining to the group for which his rate was the lowest was only 110 tons as against the estimated quantity of 1000 tons. His overall tender would not have been the lowest, had the quantity of work mentioned above been assessed on a more realistic basis.

Sub-para (iii) (a)

4.60. Explaining the nature of the contract, the Chief Engineer, Public Health Engineering Department stated that conveyance contracts were an annual feature. For each Division, a contract was

settled for the conveyance of materials from the railway station or from other Divisions. Sometimes, the contract of the previous year was allowed to continue for a few days in the following year.

4.61. In reply to a question, the witness stated that the tender was also per ton per mile. The Secretary further stated that one mile was taken as the unit. On being asked whether the Department was justified in making an assessment of one mile when in practice it turned out to be 50 to 255 miles, the Chief Engineer stated that the Department did not find any objection, when there was a ton-mile rate.

4.62. On being asked about the unforeseen contingencies of transportation of materials for longer distances which were met, the witness stated that some schemes, which were progressing, wanted pipes from other Divisions and the supplies were expected through the railways. In the absence of receipt of supplies in time, it was decided to take the materials from some other Divisions. The Secretary added that one mile assumption was made on the basis that drainage store was close to the goods station within half a mile; Travancore Public Health Store was within 3 miles from the goods station, and the average of these was taken as one mile.

4.63. In a written note submitted to the Committee subsequently (Appendix XXXVI) it has been stated by Health and Labour Department that based on the estimated quantities, tenders were invited and the work was awarded to the lowest tenderer without considering any other aspect.

4.64. The Committee fail to understand how the work was awarded only on the basis of the hypothetical lowest tender in this case, as it has been stated in the note that during actual execution practically the whole conveyance was for long distances and even the first work undertaken under this contract was transportation of cement to a distance of 194 miles.

4.65. From the note furnished, the Committee observe that it was not the practice to invite consolidated tenders for the conveyance of the materials for the division prior to 1959-60, but only for specific conveyances. From 1959-60 onwards upto now, the practice is that tenders are invited for the consolidated requirements of the Division. It has been further stated that in all these cases, tenders were invited and settled for one-ton mile. On actual execution the conveyance over one mile has far exceeded the conveyance within one mile, every year. In 1960-61, the arrangement has been stated to be ad-

vantageous to Government. Since the basis on which the tenders are invited does not give a correct idea of the two factors involved, namely, the quantity of material and the distance over which it is to be conveyed, the Committee feel that tenders should be invited on a more realistic and correct basis giving the precise nature of the work involved.

4.66. With regard to Sub-para (iii) (b) the Committee pointed out that this case was also of similar type and it was in favour of the contractor. The Joint Secretary, Ministry of Finance, Govt. of India stated that such composite contracts were undesirable.

4.67. The Committee agree with this view and desire that the position should be reviewed and the present system of inviting composite tenders and awarding contracts which more often than not work in favour of the contractor, should be discontinued.

Working of Housing Schemes—Para 54, pages 76-77 (Audit Report, 1964).

4.68. In paragraph 64 of the Audit Report, 1963, mention was made of the default in repayment of loans and other irregularities connected with the working of the Poor Housing Schemes in Alleppey, Ernakulam and Quilon Districts. A review of the schemes implemented in Kottayam, Trichur, Cannanore and Trivandrum Districts revealed that irregularities of the following nature continued to exist:—

- (i) default in repayment of loans;
- (ii) failure to execute agreements;
- (iii) execution of defective agreements; and
- (iv) non-recovery of arrears due to stay orders issued by Government against proceedings under Revenue Recovery Act.

4.69. In six out of the nine cases (eight co-operative societies and one municipality) (Appendix XXXVII), even the first instalment had not been recovered. In one municipality, out of the 28 houses constructed in March, 1961 at a cost of Rs. 53,528 none had been allotted to the employees upto (November, 1963) owing to non-provision of facilities like fencing, well, electric fittings, etc. and the buildings were reported to be in an abandoned condition.

4.70. The Committee desired to know (i) the general background of the scheme (ii) the reasons for its failure and (iii) the present

position of the scheme. The Secretary, Health and Labour Department explained to the Committee that it was a State Scheme and the Schemes were executed through Co-operative Societies. Money was advanced to Co-operative Societies on loan free of interest and the Societies had to work on the scheme. In some cases, it was done on Government "porombokke" land and in other cases the land was given to the Society. The difficulty was that the loan was not repaid properly to the Government by the Societies. One reason was that some of the housing colonies were in far away and out of the way places and the people were not willing to stay there. As the money was not repaid in proper instalments, the Government had to order revenue recovery in some cases. That also had to be stayed because of the representations from the Societies concerned. The witness admitted that in the case of some Societies the agreements were also not executed. Partly, the reason was that some of the schemes were started before 1957, which were under a different colonisation scheme. All of them had been brought under this scheme and when they were brought under the scheme, the agreements had to be executed and there was some delay in that regard.

4.71. In reply to a question, the Additional Secretary, Board of Revenue informed the Committee that the houses were constructed at Government cost and then handed over to the Co-operative Societies. The cost of the houses was treated as loan advanced to Societies. The Committee enquired as to why the Government undertook the construction of the houses, if the essential feature of the scheme was to advance loans. The witness stated that it was felt that in some cases the money advanced would not be properly utilised. So the Government thought that the buildings should be constructed and handed over to the Societies. The witness further added that the construction of houses was a part of the scheme. In regard to the selection of sites, the witness stated that the District Collector, on the suggestion of the Society, had finalised the selection of sites and admitted that the selection was not made correctly at that time. It was thought that the people could be brought there for settlement, but the experience had shown that the people were not willing to settle at those places.

4.72. In reply to a question the Secretary stated that in the case of Vizhiniam Cooperative Society, the land belonged to the Parish. The Society which was constituted in that area had approached the Government and had stated that the land was available with the Parish, which they were giving on lease to Government. So in that case the selection of the site was essentially with the Cooperative Society.

4.73. The Committee desired to know the classes of people covered by the Scheme. The Secretary stated that it was for all the poorer sections of the people in order to help them to have their own houses. On being asked whether the minimum and the maximum cost and the rent of the houses had been laid down, the witness stated that the cost was between Rs. 1,000 to Rs. 2,000 and it varied from place to place. It had to be repaid in 20 or 25 instalments. The rent also varied from place to place. The witness added that the objective of the scheme was to provide houses and house-sites to the poor, homeless and landless people of the State on a systematic basis. The poor people of the State for that purpose were broadly classified under (i) rural agricultural labourers, (ii) fishermen, (iii) municipal menials, (iv) industrial labourers and other labourers. The scheme had also provided granting of loans to Cooperative Societies for construction of houses.

4.74. The Committee pointed out that in para 64 of the Audit Report, 1963 it had been mentioned that the Housing Scheme was formulated for the poor, homeless and landless people by the erstwhile Government of Travancore-Cochin in 1952. The broad feature of the scheme was that the entire cost, including the cost of acquisition of land and for provision of common amenities, should be treated as an interest-free loan repayable in instalments over a period not exceeding 25 years; that in the rural areas the scheme should be implemented through the Co-operative Societies who should execute agreements accepting responsibility for the repayment of the loan. The Committee desired to know if the agreements were available and were told that the difficulty was that in all cases these agreements were not entered into.

4.75. The Secretary stated that in certain cases agreements were not executed and admitted that it was a lapse to that extent. The Committee pointed out that the requirement under the scheme was that before granting the loan, the agreements should be executed and desired to know as to why it was not executed at least after the loan was granted. The witness stated that the Department was trying to get the agreements executed. The Collectors concerned were periodically asked to look into these things.

4.76. In reply to a further question, the witness stated that there was periodical inspection of the offices by the superior officers and if this lapse had come to their notice, they would have taken action, but it must have escaped their attention. The Committee were fur-

ther informed that the allotment of the houses was made by the Societies themselves.

4.77. The Committee desired to know whether the failure of the scheme had meant that there were no other schemes of this type at all in the State. The Additional Secretary, Board of Revenue stated that there was settlement scheme, the Low Income Group Housing Scheme, but it was not implemented in large numbers. On being asked as to how the scheme could function, if the people are averse to settle together, the Secretary stated that it was not the only reason but it was one of the many reasons. In some cases localities were too far away and electricity was not available in certain places.

4.78. At the instance of the Committee, a note (Appendix XXXVIII) on the origin and objects of the Scheme, the amount spent and amount realised has been furnished. It has been stated in the note that in cases where house sites are provided, Govt. will acquire lands and provide house sites alone to the poor. The Scheme is implemented through Societies, Municipalities and Industrial concerns. It has further been stated that in the case of Co-operative Societies, construction work will be executed by them, but if a Society is not in a position to take up the work, it would be done by the P.W.D. In the case of Municipalities the construction work is carried out under the direct responsibility of the P.W.D., whereas for industrial Labour, Government advance 50% of the cost or Rs. 750 per house whichever is less. The houses are put up on the basis of type designs approved and under the general supervision of the P.W.D.

4.79. The Committee regret to learn that one of the reasons of the failure of the Scheme was due to the fact some of the colonies were in far away and out of the way places and people were not willing to stay there and that the loan amounts due were not being re-paid in proper instalments. This is all the more surprising in view of the fact that the Scheme has been in existence from the First Plan period; a sum of Rs. 15,85,228 was outstanding recovery on 30-9-1965, and yet, knowing that the Scheme was a failure, money had continued to be spent on the Scheme in its existing form without any improvement. They fail to understand why the Scheme had not been reviewed after the first stage when it must have been clear that the people for whom the Scheme was introduced did not like it.

4.80. From the facts placed before the Committee, they are convinced that the Scheme was introduced without properly examining all its aspects. The initial mistake was in the selection of sites,

as admitted in evidence. Knowing the habits and customs of the people, the Govt. failed to take note of them in the Scheme. Secondly, although execution of agreements with the agencies responsible for implementation of the Scheme was an essential part of the Scheme, in most of the cases, the agreements were not executed. In other cases where the agreements were executed the same proved defective. As a result of all this, the Government is yet to recover an outstanding amount of Rs. 15,85,228.

4.81. In these circumstances, the Committee feel that a review of the Scheme is called for at an early date in order to find out to what extent the Scheme needs modification so as to be of real benefit to the poor (homeless and landless) people. They have been informed in the written note that no provision has been proposed for the Scheme in the Fourth Five Year Plan.

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

- (a) How many Societies were given lease?
- (b) With how many Societies Government entered into agreements? With how many Societies there were no agreements and steps taken to have the agreements completed?
- (c) Action proposed to be taken by Government against persons responsible for failure to take action in time?
- (d) How many houses are at present under occupation, how many are being used actually by the people and how many are dilapidated or abandoned and how many have never been used?
- (e) In how many cases stay orders against recovery of dues have been given and on what grounds?

4.83. The Committee have been informed in a note (Appendix XXXIX) that lease of 146.40 acres of Government land was given to a Society; in the case of three Societies agreements have been entered into, while in the case of three final agreements are yet to be executed.

4.84. The Committee see no reason why the agreements could not be executed before advancing the loan or at least immediately thereafter. The reasons given for the delay in those cases are not convincing. These are definitely failures of the Department concerned.

4.85. From the same note the Committee find that out of six Societies, in the case of three all the 75 houses are under occupation while in the case of three others 20 houses have been abandoned and 5 double-block buildings out of 9 are unoccupied.

4.86. These facts relating to these Societies indicate that the Scheme has largely been a failure.

4.87. The Committee referred to the recommendations of the State Public Accounts Committee contained in the Second Report, 1963-64 wherein it was desired in respect of 10 such cases, that execution of the agreement by the Societies should be speeded up and desired to know the action taken by the Government thereon. The Secretary stated that action had been taken to see that the agreements were executed. As some of the Societies were not functioning properly, it was found that the best way was to liquidate those societies and that was the step which the Department was now contemplating to take. The Committee pointed out that the recommendation of the Kerala P.A.C. was in respect of particular Societies and enquired about the action taken in respect of similar other Societies. The witness stated that the Department had to wait for some time to give a chance to the Societies to execute agreements as most of the Societies were not functioning properly. In reply to a question, the Additional Secretary, Board of Revenue informed the Committee that immediately on receipt of the Report of the P.A.C. the usual action of reminding the Collectors in the matter and requesting them to speed up the finalisation of the agreements was taken. The witness further added that to his recollection no agreement had been executed in respect of any of the 10 cases referred to in the Report.

4.88. In reply to a question the Secretary stated that action had been taken for the recovery of arrears, but it was not soon after the first instalment was given.

4.89. At the instance of the Committee, a note has been furnished (Appendix XL) indicating action taken on the recommendations contained in para 179 of the Report of Kerala P.A.C. 1963-64. The Committee find that although some progress has been made in some cases, much headway has not been made in respect of other cases. They would like the Department to pursue these cases vigorously.

4.90. In regard to Karamana Colony Co-operative Society (item 8, Appendix XXXVII), the Additional Secretary, Board of Revenue

informed the Committee that the final assessment had not been received from the P.W.D. The Secretary added that the main difficulty in the case of Karamana Colony Co-operative Society, was the absence of agreement. The Society was functioning properly and there was delay in getting the agreement executed. On being asked as to why the figures had not yet been supplied by the P.W.D., the witness stated that it was due to some procedural delay. The Executive Engineer had certain difficulties in adjustment. Until that was done, the Department would not be able to say as to when exactly the agreement would be executed. The Department would see whether some improvements could be done in the matter.

4.91. The Committee are not convinced with the reasons for the delay in recovering the dues from the Society. Six years time is more than enough for settling the procedural matters or other difficulties. They, therefore, desire that the matter should be settled forthwith.

4.92. The Committee desired to know (i) whether the Attingal Municipality (Item 9, Appendix XXXVII) was also treated as a Co-operative Society, and (ii) whether under the scheme, the Department was entitled to give the same facility to the Municipality also. The witness replied that they were entitled to give the facility to the Municipality also.

4.93. The Committee desired to know whether there was any application from the Attingal Municipality, for the construction of houses. The Additional Secretary, Board of Revenue informed the Committee that there was an application from the Municipality. On being asked about the terms and conditions, the witness stated that the poor housing scheme involved construction of houses. The amount required for construction was accounted under loan and was recovered without interest in 25 years. The exact difficulty about the Municipality was that they had not executed the agreement. As there was change in the constitution of the Municipality, it was thought safer to construct the buildings and hand them over to the Municipality, instead of handing over money to the Municipality. The Municipality had been under the impression that the employees ought to have the full share of the benefit. After construction of the buildings by the contractor, the buildings had been in possession of by the P.W.D. Government had been pressing the Municipality to take over the buildings. On some excuse or the other, the Municipality had not taken possession of the buildings. The repayment

of the loan would commence immediately on handing over the buildings.

4.94. In reply to a question, the witness stated that the buildings had not been properly maintained and no annual maintenance was done.

4.95. In the course of an on-the-spot study visit to Attingal, Trivandrum District Members of the P.A.C. saw the blocks of tenements made of stone and cement and a deep well provided for drinking water under the Scheme. The tenements were unoccupied. The Members were informed that the tenements were meant for municipal staff like sweepers etc. whose average pay was Rs. 75/- p.m. and the monthly rent for each tenement would be about Rs. 4/- p.m. The Members also visited a colony where the sweepers were actually living. At present they were not paying any rent for the land and a plot of land measuring about 20 cents was attached to each hut which was used for cultivation. Thus they were able to supplement their income. Moreover, they might ultimately become the owners of the land.

4.96. The Committee were further informed by the Village Officer of the Municipality that if let out to other persons, the tenements of the Municipality would fetch at least Rs. 8/- per tenement.

4.97. The Committee feel that in view of the fact that the Municipal Sweepers etc. were at present not paying any rent for their land and had been supplementing their income from the products of the land and expected to become owners of the land ultimately, they could not be expected to shift to the Municipal tenements, where they have to pay rent out of their meagre income, and which they would have to vacate on their retirement.

4.98. In the circumstances, the Committee would suggest that the feasibility of an alternate scheme suitable for the sweepers etc. may be considered and the tenements let out to others who are willing to pay the normal rent.

4.99. In regard to Vazhoor Cooperative Society (Item 1 Appendix XXXVII), the Committee desired to be furnished with further information on the following points:

- (i) When did the Society get possession of the buildings?
- (ii) Did the individual members pay any amount to the Society?
- (iii) What is the present membership of the Society?

All this information has been furnished in a note (Appendix XLI).

4.100. The Committee regret to note that although the Society got possession of the buildings on 18th September, 1957*, there is no record to show whether individual members who occupied the buildings paid any amount to the Society. The Society had become defunct from July, 1961. In this case also, the Scheme has proved a failure.

4.101. It is regrettable that owing to various shortcomings and lapses in the formulation and implementation of the Housing Scheme (such as location at far away and out of the way places, lack of amenities like electricity, aversion of the people to settle together etc.) the Scheme on the whole has proved to be a failure. The Committee would therefore like that in the review to be conducted, as suggested earlier, it should be specifically found out what the lapses and shortcomings were, so that they could be avoided in future. The Committee feel that in the Schemes of this nature, the felt needs of the would be beneficiaries, and their ability to repay the loans etc. should be realistically assessed beforehand to ensure the success of the Schemes without unintended financial loss to Government.

Ernakulam-Chowwara Water Works, para 20, page 29 (Audit Report, 1965)

4.102. The Ernakulam-Chowwara Water supply system, started by the erstwhile Cochin Government in 1914 is exclusively owned by Government; and it is supplying protected water to Ernakulam, Mattancherry, Alwaye and Fort Cochin municipalities besides to certain other consumers like Cochin Port, Defence establishments, Panchayats, etc.

4.103. Audit suggested to Government, in June, 1953, the need for maintaining pro-forma capital and revenue accounts designed to assess the financial results of the system. In February, 1956, Government approved the department's proposal to maintain such accounts from the 'next financial year'. There has, however, been no progress in that direction (February, 1965). This is attributed to non-finalisation of certain accounts and non-availability of records showing the capital cost of assets.

4.104. Arrears of water charges amounting to Rs. 28.90 lakhs were pending collection (October, 1964) from the municipalities for the

*According to audit it was June, 1956.

period ending March, 1964 as indicated below:—

	Ernakulam	Mattancherry	Fort Cochin	Total
	(In lakhs of rupees)			
Prior to I-4-1960	0.56	2.70	..	3.26
1960-61	4.43	1.58	..	0.01
1961-62	4.24	1.53	0.06	5.83
1962-63	5.00	1.77	0.06	6.83
1963-64	4.91	1.76	0.30	6.97
TOTAL	19.14	9.34	0.42	28.90

4.105. Explaining the background of the case, the Secretary, Health and Labour Department stated in evidence that the Ernakulam-Chowwara Water Works was constructed many years ago when the place was under the Cochin Maharaja. The present pattern of maintenance of accounts was not followed in those days. The Chief Engineer was first in-charge of the works. Travancore-Cochin integration took place in 1949 and the State reorganisation in 1956. The difficulty of the Deptt. was right from the Malayalam year 1122 corresponding to 1946-47. The records relating to that period were not complete and quite up-to-date. Further during the term of the then Chief Engineer of the Cochin State, there were delegations of powers from the Chief Engineer in two or three stages. The effect of all that was that the Department did not have complete records relating to Cochin State and that was the reason as to why the accounts were not up-to-date.

4.106. The Committee desired to know the extent to which the instructions of the Government in regard to the maintenance of the proforma accounts had been carried out. The witness stated that the records were not available; the Department had also issued instructions to the Chief Engineer. In the absence of records, the Chief Engineer was not able to make calculations up-to-date. In reply to a question, the Chief Engineer, Public Health Engineering Department stated that the Accountant General had been requested to suggest a way out. The Secretary added that a number of letters

had been exchanged in that regard, between the Accountant General and the Government. In reply to a question, the Chief Engineer stated that the Audit had insisted upon the maintenance of proforma accounts to assess the implementation of the scheme. In reply to further question the witness stated that it had been suggested to the Government to request Audit not to insist upon the maintenance of proforma accounts because of the difficulties pointed out earlier.

4.107. In reply to a further question, the Secretary stated that the Government had approved the proposal of the Department in regard to the maintenance of proforma capital and revenue accounts which was designed to assess the financial results of the system. But that was not done because of difficulties.

4.108. The Secretary further explained to the Committee that in 1956, the Govt. had approved the proposal of the Department for the maintenance of proforma accounts. The witness, however, admitted that the proforma accounts had not yet been put into operation.

4.109. The Committee desired to know as to when the Deptt. proposed to introduce proforma accounts. The Secretary stated that if the forms were ready, by putting in some labour, the Deptt. would be able to introduce these before the next year. On being asked to give an idea of the final steps taken in that regard, the witness stated that no action had been taken at the Govt. level since 22-5-1965 after a report was received from the Chief Engineer and from that stage, the Department had to take action. Some forms were necessary from the Accountant General and the Department was writing to the Accountant General to supply those forms to the Chief Engineer.

4.110. At the instance of the Committee Health and Labour Department have furnished a detailed note giving chronologically the action taken from 1956 for maintenance of proforma accounts (Appendix XLII).

4.111. It is indeed surprising that the Government approved the proposal for maintenance of proforma accounts (as stated in evidence) in 1956 and yet nothing concrete has been done so far in this matter. The Committee find from the note that on 4th April, 1956, Government referred to Chief Engineer for remarks on the suggestion of the Accountant General for the preparation of proforma accounts. But no action seems to have been taken in the matter. Yet, only on 20th January, 1962 the Chief Engineer informed Government that it was not possible to prepare the proforma accounts

because accounts of expenditure were not traceable. It passes the comprehension of the Committee as to why the Chief Engineer could not point out even in 1956 that the accounts were not available, but needed repeated reminders for several years to furnish this simple information. Such indifference to duties and responsibilities on the part of the Chief Engineer is inexcusable.

4.112. Now that the matter has been unconscionably delayed, the Committee would desire the Government to hold a meeting with the representatives of Audit and Chief Engineer and come to a definite conclusion as to how the proforma accounts are to be maintained and from which year.

4.113. The Committee desired to know whether the Government took action in time to realise the arrears and if so, the reasons for the accumulation of large arrears. The Chief Engineer, Public Health Engineering Department informed the Committee that the reasons for the arrears in regard to the Ernakulam and Mattancherry municipalities were that the Cochin Government had initiated a water supply scheme and were selling water in bulk at 4 annas per 1000 gallons till the integration of Travancore Cochin. In Trivandrum and other places the water charges were about 12 annas and Re. 1-8-0 for non-domestic purposes. After integration the Government wanted to raise the water charges to some sizable figure comparable with the capital cost. The municipalities however refused and did not make any payment for some years. The arrears had started mounting. Then there was a high level conference and there it was agreed finally to fix the rate at 12 annas per 1000 gallons. The municipalities did not agree even to that and went to the court for a writ. That took three years and finally the court disposed of the writ and had maintained that the municipalities should pay at the rate of 12 annas per 1000 gallons. That process took about 7 to 8 years. The municipalities did not pay any amount during that period. Since then, however, the municipalities are remitting some money regularly and the arrears had come down to much less than what had been reported in the Audit Report. On being asked the arrears were calculated at the old rates or the new rates, the witness stated that the new rates as to whether were applied from 1-10-1958 and the old rates had ceased to exist from that date. The municipalities were paying some amount at the rate of 4 annas between the period from 1-10-1958 to 1-4-1960.

4.114. The Committee desired to know whether there was any recommendation from the Kerala P.A.C. not to give further grant to the municipality or to withhold the grants. The Chief Engineer

stated that there was a directive from the P.A.C. to clear the arrears without any further delay. The Secretary added that the Kerala P.A.C. had made a recommendation and the Government also took action to see that the arrears were brought down. In the case of Ernakulam municipality the arrears had come down from Rs. 19 lakhs to Rs. 13 lakhs. The witness further stated that the arrears including further accumulation upto 1964-65 were Rs. 9 lakhs—Mattancherry, Rs. 1 lakh—Fort Cochin and Rs. 18.83 lakhs—Ernakulam.

4.115. The Committee desired to know whether the question of withholding grants or the deduction of arrears from the grants was considered. The Secretary stated that the question was considered, but they did not actually withhold the grant, because it was thought that the municipalities would pay back the arrears even without the penalty. In reply to a question, the witness stated that the municipalities had been asked to increase the property tax and pay back the arrears in that way.

4.116. The Committee desired to know the time limit, that was required to wipe out the arrears. The witness stated that since the municipalities were not paying the arrears, the alternative before the Department was either to stop the supply of water to the municipalities or to adjust the arrears against the grants that were given to the municipalities. There were some practical difficulties because stopping of water supply to a municipality was difficult.

4.117. In reply to a question, the witness stated that as against Rs. 17 or Rs. 18 lakhs due from the Ernakulam Municipality, the annual grant that was given to the Municipality was hardly Rs. 1 lakh or so. Even if that was adjusted, the whole of the arrears could not be wiped out. But still this was being examined to see whether something could be done. In answer to another question, the witness stated that the financial position of the municipalities was very weak. On being asked as to why they should not be exempted from paying the arrears the witness stated that if the municipalities were exempted from the payment of arrears, then the whole thing would be a loss to the scheme.

4.118. In reply to a question, the witness stated that in the grant of Rs. 1 lakh, certain inevitable payments, pay and allowances to staff was included and those people would be put to difficulties, but still the Department was examining that aspect.

4.119. The Committee desired to know the position in regard to the arrears relating to Cochin Port. The witness stated that there were some arrears from the Cochin Port. But the Cochin Port had given a loan of about Rs. 6½ lakhs to the Department. The Department could deduct water charges from that. The witness further added that when the loan was given, it was agreed that the amount would be adjusted against the water charges.

4.120. The Committee pointed out that the Department must be paying interest on the loan and enquired as to why the arrears were not adjusted. The witness stated that there was one difficulty which was under consideration. The question was whether the interest on loan should be adjusted after deduction or before deduction. The witness further added that to start with, the Department had to pay interest also.

4.121. In a written note furnished to the Committee (Appendix XLIII) it has been explained as to why arrears of water charges had not been recovered from various consumers and the steps taken in the matter. The Committee note that on 10-11-1965 stringent instructions had been issued to Ernakulam, Mattancherry and Port Cochin municipalities to clear off the arrears immediately and action to issue show cause notice to them was also under way. The Committee also note that Government have issued orders regarding revision of water tax, etc. as also of property tax.

4.122. In the opinion of the Committee, efforts should have been made to collect the dues currently from the municipalities. Even when there was dispute, prompt steps should have been taken to recover from the municipalities on account payment at the old rates, so that the accumulation of arrears would not have been so heavy.

4.123. The Committee suggest that the question of arrears should be carefully and realistically examined by the Government in consultation with the concerned municipalities and final decision taken about them.

4.124. The Committee were informed that the draft Audit para, in this case was received by Government on 30-5-1964 but no reply has so far been sent to A.G.

4.125. In reply to a question the Finance Secretary stated that the standing instructions were that the replies to draft audit para should

be sent within six weeks. There was a serious lapse here. It had been impressed time and again that the Departments should strictly adhere to the time limit of six weeks. In many cases, it might not be possible to adhere to the time-limit, but then what the Department should have done was to have asked for more time to consider the question in greater detail.

4.126. The Committee desire that proper attention should be paid to audit paras and replies should invariably be sent within the time-limit of six weeks. In exceptional cases, the position should be explained within the time and a final reply sent as soon as possible thereafter.

Payments outside the terms of contract, para 22, pp. 30-31 (Audit Report, 1965)

(a) *Conveyance of 48" diameter pipes during 1961-63*

4.127. In terms of the agreement executed by the lowest tenderer in September, 1961 for the work 'Conveyance of 48" diameter cast iron pipes from Trivandrum Central Station to Aruvikkara during the years 1961-63'. (Amount of contract: Rs. 1.62 lakhs) special implements, cranes, etc., required for the work were to be provided by him at his cost. However, on his agreeing to pay the usual hire charges, the Public Health Division, Trivandrum obtained a crane on hire from the Government Engineering Workshops, Trivandrum and supplied it to him in April, 1961. While the work was in progress, the contractor represented (May, 1961) that his rates were low and unworkable and that he should be exempted from paying hire charges for the crane. The Chief Engineer, Public Health Engineering, at first rejected his request (July, 1961); but in July, 1963 he decided to recover from the contractor a sum of Rs. 3,326 only as against the hire charges of Rs. 57,582 paid to the Government Engineering Workshops. The extra expenditure to Government thus amounted to Rs. 54,256.

4.128. Government stated in January, 1965 that "appropriate action in the matter will be taken after having a closer investigation of the whole transaction."

4.129. In reply to a question the Chief Engineer, Public Health Department informed the Committee that a log book was maintained for the crane. On being pointed out that there should not be any difficulty then in working out the charges, the Secretary stated that the conveyance was not part of the programme as such. The Public

Health Engineering Department had intervened and helped the contractor to remove the pipes by the use of a crane. As the pipes had come in closed wagons instead of open wagons, some sort of physical lifting was necessary. The crane which could be used was available with the P.W.D. and hence their crane was used. It was not used continuously, but only for one or two months. The P.W.D. had charged the rates on a monthly basis and not on an hourly basis. The whole amount would have been much less if the charge was calculated on an hourly basis. On being asked about the charges, the witness stated that the working charges were Rs. 100 per day subject to a maximum of Rs. 2,000 per month and Rs. 20,000 per year plus operation charges at Rs. 4 per hour of working. In reply to a question the witness stated that the contractor had quoted the rates on the understanding that it would be a normal lifting.

4.130. The Committee then desired to know the basis on which Rs. 3,326 (amount to be recovered from the contractor) had been worked out. The Secretary informed the Committee that the amount was worked out on the basis of the estimated provision of 50 p. per ton. In reply to a question, the Committee were informed that the contractor in this case was the same person who had been given another contract for loading and unloading of pipes in the same area, which had been the subject of comment by this Committee.

4.131. In reply to a question the witness stated that the P.W.D. was operating the crane and the operator belonged to the P.W.D.

4.132. The Committee desired to know the results of the Government's investigation in regard to the transaction. The witness stated that the whole matter was examined by the Government and they came to the conclusion that the Chief Engineer was not to be blamed.

4.133. The Committee feel unhappy about the manner in which this case had been dealt with. In terms of the agreement the contractor was to provide at his cost special implements, cranes, etc. But on his agreeing to pay the usual hire charges, a crane was hired from Government Engineering Workshop and supplied to the contractor. While hire charges paid to the workshop were Rs. 57,582, the amount decided to be recovered from the contractor for this purpose was Rs. 3,326 only. The crane was also operated by an employee of the P.W.D. The Committee have also been informed in a written note that the crane was used by the contractor for 776 hours in 238 days. The Committee are unable to understand why this special concession was given to this particular contractor by the Department by incurring an extra expenditure of Rs. 54,256.

Nor do they understand why terms and conditions are included in the contract which are not insisted upon.

4.134. The Committee desired to know as to why the Department had paid Rs. 57,582 to the Engineering Department. The Finance Secretary informed the Committee that the matter was under dispute between the two Departments. He added that the Department had been asked to see whether the rate could be reduced.

4.135. The Committee desire that an early decision should be taken in this matter and the case settled finally.

Cutting bell holes, jointing pipes with molten lead, etc. para 22 (b), p. 31. (Audit Report, 1965).

4.136. According to the agreements executed by two contractors the rates for the item of work "cutting bell holes, jointing pipes with molten lead, etc.," (included in the main works of laying pipes in two sections of the Kottayam Water Supply Scheme) were Rs. 40 and Rs. 45 per joint. The contractors represented that the agreed rates were unworkable and the Chief Engineer, Public Health Engineering enhanced the rates by Rs. 8.12 and Rs. 9.95 per joint (January, 1960 and September, 1960). This resulted in an extra payment of about Rs. 8,900 to the contractors.

4.137. In April, 1964, Government stated that there was no justification for the payment of extra rates and ordered the recovery of the amount from the contractors. The amount has not been recovered so far and Government have since intimated in November, 1964 that they have not yet taken a final decision in the matter.

4.138. The Committee desired to know whether the amount had been recovered from the contractors. The Secretary, Health and Labour Department stated that the amount had not yet been recovered. The Chief Engineer had been instructed to effect the recovery from the officers responsible. As the officers had represented, final recovery had not yet been made. On being asked as to how the Department could recover the amount from the officers unless the responsibility was fixed, the witness stated that the officer who was responsible had since retired. In reply to a question, the witness stated that the contract was given in 1958 and the irregularity was brought to the attention of the Government in 1962 by the Accountant General. A Government Order was issued on 13-4-1964 for the recovery of the excess payment made to the contractor. The witness further added that in March, 1965 the Chief Engineer had requested the Government to reconsider the whole matter. The Chief Engi-

neer was informed that the Government did not agree to the question of reconsideration of the matter and had ordered the recovery of excess payment from the persons responsible. In reply to a question the witness stated that the Chief Engineer was again requested in July, 1965 to effect the recovery of the excess payment from the persons responsible without further delay and to forward a report to the Government in the matter immediately and that was the latest position.

4.139. In reply to a further question, the witness stated that the Chief Engineer concerned had retired in 1960. On being asked as to how the Department expected to make the recovery, the Finance Secretary stated that the recovery was to be made from the persons responsible. It might be from the Executive Engineer or from any other person.

4.140. The Committee notice that the point for objection arose only after the Chief Engineer enhanced the rates in September, 1960. They are surprised to note that although Audit brought the irregularity to the notice of the Department in 1962, orders for the recovery of the excess payment to the contractor were issued only on 13th April, 1964. If prompt action had been taken in the matter it could perhaps have been possible to recover the excess payment of Rs. 8,900 from the contractors.

4.141. Such long delays even after irregularity of serious nature is discovered or reported by audit appears to be a common feature of Kerala administration. The Committee feel very unhappy at such a sorry state of affairs and express their grave concern.

4.142. As regards recovery from persons responsible, the Committee would like speedy action to be taken. They would also like the Department to examine if any action is called for against the contractors.

V

REVENUE DEPARTMENT

(HARIJAN WELFARE DEPARTMENT)

Irregularities and losses in the execution of works—Harijan Welfare Department, para 30, pp. 36-37 (Audit Report, 1965).

(a) Construction of houses for Harijans:

5.1. The work of constructing 73 houses, each costing Rs. 800 for Harijan families was entrusted to a contractor under orders of the Director of Harijan Welfare. No agreement was executed with him. On the strength of completion certificates reported to have been issued by the Junior Engineer attached to the District Welfare Office, the contractor was paid the full amount of Rs. 58,400 during the period February, 1958 to February, 1959. The houses are, however, reported to be still (October, 1964) incomplete. The increment of the Junior Engineer who was found guilty of negligence in having issued certificates of completion without actual verification was stopped for two years without cumulative effect. Government stated in October, 1964 that the actual loss sustained by Government was being assessed, that action against certain other departmental officers found responsible for the loss was under consideration of Government and that a case against the contractor was under investigation by the police.

5.2. Explaining the background of the scheme, the Additional Secretary, Revenue Deptt. and Director incharge Harijan Welfare stated in evidence that the scheme related to grant-in-aid given by the Govt. of India. Under the scheme 396 houses were proposed to be constructed and given to scheduled castes. The scheme also had envisaged payment of grant to private individuals, Cooperative Societies and other beneficiaries. During the period out of 396 houses, only 300 houses were constructed and the objection related to only 73 houses. Under the rules which related to the construction of houses, Rs. 1,000 were allotted to each house. Out of that, 20 per cent was supposed to be borne by the beneficiary and the remaining 80 per cent was paid in three instalments. 25 per cent was given in advance before the starting of work, 50 per cent was given when

the plinth area was completed and the balance when the construction was at the roof level. No agreement was executed at the time when the sanction for 73 houses was given. The witness added that it was a lapse on the part of the Distt. Officer. The District Officer had, however, pleaded that there were no specific rules in the scheme regarding agreement. In reply to a question the witness stated that the funds were allotted to the Distt. Officers who were expected to follow the usual financial procedure. On being asked about the check exercised by the Deptt. the witness stated that there was office inspection by the Director of Harijan Welfare and also the usual audit. The witness admitted that the District Officer did not take any agreement and the lapse was also not found out during inspection. The witness further added that there was serious lapse on the part of the Director and he had also been suspended and serious charges were being framed against him.

5.3. In reply to a question the witness stated that the 73 houses were distributed over four different areas and the approximate area was about 50 sq. miles. The contractor to whom the contract was given happened to be the President of the Cooperative Society who took up the work more or less as his own personal responsibility. The witness further added that there was a general difficulty in getting contractors.

5.4. The Committee desired to know whether any tenders were invited for the work. The witness stated that it was not done that way. The allotment of houses was made district-wise and those were discussed by the District Development Council. The beneficiaries came forward with the applications and most of them did it on their own and it was not a contract. Only in this particular case it had to be given to a contractor. Since no beneficiary came forward, the contract had to be given to one person. In reply to a question, the witness stated that from the report of the Distt. Officer, the Deptt. came to know that there were no other contractors in the four areas. When the Committee pointed out that the work was given to an individual and not to any Cooperative Society, the witness stated that there was an order of the Director of Harijan Welfare in which he had asked the District Officer to give the contract to this particular Society. In reply to a question the witness stated that the contract was given only to the President and there was no resolution of the Society.

5.5 In reply to a question, the witness stated that the delay was due to the fact that the Deptt. did not get the report from the P.W.D. In reply to a further question, the witness added that the irregularity

ties came to the notice of the Deptt. in 1960. The Deptt. was taking action against the officers and only afterwards it came to the point of assessing the loss.

5.6. On being asked about the present position, the witness stated that the loss in this case came to Rs. 9122. As against Rs. 20,000 paid to the first village, the actual work had been assessed at Rs. 22,247 by the P.W.D. The Deptt. had not taken the excess into account because the contractor was entitled to only Rs. 20,000. In that way, the loss would be Rs. 9,000 and the net loss would be a little less.

5.7. The Committee desired to know the result of police investigation against the contractor. The witness stated that the case could not be properly investigated for want of evidence. The legal Adviser had also advised that the case would not stand.

5.8. The Committee regret to note the various irregularities disclosed in this case. The scheme was meant for scheduled castes and grants were given to private individuals or cooperative societies formed by them in the particular area. But the construction work relating to 73 houses in different areas was given to the President of a Handicraft Cooperative Society of a particular area, without inviting tenders, on the specific order of the Director of Harijan Welfare. This was done on the plea that no beneficiary was forthcoming as stated by the District Officer. The same District Officer had failed to execute any agreement with the contractor on the ground that there were no specific rules on the subject in the scheme. In addition to that, there was a false certificate by the Junior Engineer and the payment was made to the contractor.

5.9. In the opinion of the Committee, all these go to show that rules have been violated by more than one officer resulting in a loss of about Rs. 9000. It is also surprising that it took the Department six years (1958-64) to assess the loss. This matter needs therefore to be investigated further and responsibilities fixed and the defaulting officers punished suitably.

5.10. The Committee also feel that the checks exercised by the Department on their officers were perfunctory and need to be tightened up.

(b) Construction of a model welfare village at Poonjar.

5.11. The work sanctioned by Government in March, 1959 at an estimated cost of Rs. 34,600 was split up into 16 items, each costing less than Rs. 3,000 (limit fixed by Government in January, 1959 for

undertaking works without detailed estimates). The entire work (with no detailed estimate) was then entrusted to the same contractor referred to in (a) above without a "proper agreement". The contractor abandoned the work in May, 1959 after attending to parts of six items.

5.12. The items of work done were reported to be not susceptible of valuation by the Public Works Department except after dismantling. An amount of Rs. 9,067 was, however, paid to the contractor during March and April, 1959. Government stated in October, 1964 that the loss incurred due to the abandonment of the work by the contractor was being assessed by the Public Works Department and that steps were under way to prosecute him.

5.13. The Committee desired to know the reasons for the delay of nearly five years in assessing the loss and taking necessary action against the contractor. The Additional Secretary, Revenue Deptt. and D.H.W. incharge stated that the original estimate for the model Welfare Village at Poonjar was Rs. 34,600. In order to expedite the works it was split up into 16 items so that the cost of each item might be less than Rs. 3000 in which case under a Government order, (issued by about that time) no estimate or plan was necessary. In this connection, the witness read out the following Govt. order, G.O. No. 252 dated 19th March, 1959:

"The Government are pleased to sanction the proposal submitted by the Director of Harijan Welfare in his letter read above to split up the construction of works in the following model welfare villages, into 16 units as detailed below and get them executed by the sponsoring Harijan cooperative societies." (Then the names of the model welfare villages including Poonjar are given.)

An advance of 25 per cent of the cost of the house for each unit shall be paid to the sponsoring Harijan Cooperative Society. The District and Welfare Officer concerned will draw the advance from the Budget provision for the work and disburse it to the cooperative society concerned.

The conditions for the execution of the work, part payment, etc. shall be the same as those laid down in the G.O. read as first paper above, subject to the following modifications: part payments shall be made to the sponsoring cooperative societies on the authority of a certificate from the Junior Engineer of the Harijan Welfare Department or N.E.S. Block or Panchayat or Public Works Department, to the

effect that the upto date value of the work done is not less than Rs..... (The amount to be specified by him) and that the work is progressing according to plan and specifications. The final payment will be made on production of a completion certificate from him stating that the work has been completed as per plan and specifications.

The action of the Director of Harijan Welfare in having issued instructions on the above lines in anticipation of orders of Govt. is ratified."

5.14. On being pointed out that it was clear from the Government Order that the Government agreed to the work being split up so that it could be completed by the beneficiary societies, the witness stated the orders were not implemented in the spirit in which it was envisaged. The Committee further pointed out that while it was envisaged that the Harijans would form into cooperative societies and, therefore, the work was split up, actually the whole contract was given to a single person. The witness stated that the splitting up of the work was permitted by a general order issued by Government in 1959. When the Committee pointed out that the order read out before the Committee related to a particular work, the witness stated that the Director did it on the basis of the general Government order, so that the works might be expedited.

5.15. In reply to a question, the witness stated that even before that period, there were rules which provided that the works might be given to beneficiaries, but admitted that it was not followed.

5.16. The Committee desired to know as to when the contract was given to the contractor. The witness stated that on the basis of the Director's order dated the 18th October, 1958 this work had also been given to the same individual and ratification was done on 19th March, 1959. The witness further stated that there was an agreement from the President on 21st April, 1959 which had merely mentioned the receipt of Rs. 8648 by way of advance for so many houses. The agreement was drawn up on 21st April, 1959 on one rupee stamp paper which stated that the person was willing to undertake the work of buildings relating to Poonjar Model Welfare Centre and that 25 percent of entire work would be got done through Shram Dan. On being asked about the Government order for payment of the advance, the witness stated that for any work costing less than Rs. 3000, advance payment of 25 per cent could be made. The money was disbursed to the contractor by the District Officer.

5.17. Explaining the sequence of events the Additional Secretary, Revenue Department stated that Government Order No. 78 of 20th January, 1959 stated that works below Rs. 3000 could be given on contract, without estimates. On 23rd February, 1959, the Report of the Director of Harijan Welfare stated as under:

“The matter was discussed in detail by the Minister for Local Self-Government, Secretary to Government, Labour and Local Administration and the Director of Harijan Welfare at 4 P.M. on the 23rd February, 1959 and the following decisions were taken:

“Administrative sanction shall be accorded by the Director of Harijan Welfare to split up the construction works of each centre referred to above into 16 distinctive units as indicated below as per the revised plans specifications and of entrusting the work to the Harijan Cooperative Societies or the Local Committees constituted for the purpose.”

5.18. It is really amazing that in this case also the contract was given to the same contractor (President of a Handicraft Society) for the entire work which was split up into sixteen items in order to enable beneficiary societies like Harijan Welfare Cooperatives to undertake the work. It is all the more surprising that ratification of this splitting up of the work was done much later, when the work had already been allotted to a single individual against the spirit of Govt. orders. As there is no mention as to whether Government were aware of this fact when the ratification was done, the Committee would desire that it should be investigated whether the fact, that the entire work had already been allotted to a single individual and not to the beneficiary societies for which ratification was made with the approval of the Minister of Local Self-Government, was brought to the notice of the Minister before his orders for ratification were taken. If not, the persons responsible for suppressing such material fact should be suitably punished.

5.19. The Committee do not understand as to why the loss incurred due to the abandonment of the work by the contractor has not yet been assessed, although the contractor abandoned the work as long back as May, 1959. The Committee desire that the assessment of loss should be completed without further delay. Result of the prosecution of the contractor as mentioned in the Audit para may be communicated to the Committee.

5.20. The Committee feel that these two cases of allotment of all the works to a particular individual, while ostensibly the works were to be given to beneficiary Harijan Societies etc. disclose a pattern which has to be scrupulously avoided if real benefit is to be given to the poor Harijans of the State. Otherwise there would be waste of Govt. funds which will benefit people who manage to obtain contracts by means not necessarily fair in contravention of rules and Govt. orders.

VI

INDUSTRIES DEPARTMENT

Industrial Estates—Para 23, pages 35-37 (Audit Report 1964)

6.1. Eight Industrial Estates were set up in the State during 1957-58 to 1961-62. The scheme provided for the construction of buildings and workshop sheds which were to be let out to industrialists of moderate means. The scheme is partly financed out of loans received from the Government of India; the amount of loan received by the State Government up to the end of July, 1963 was Rs. 64.61 lakhs. An expenditure of Rs. 89.77 lakhs was incurred by the State Government on the scheme upto the end of March, 1963.

6.2. The management of the estates was transferred on an agency basis to the Kerala State Small Industries Corporation Limited, with effect from the 1st July, 1962.

6.3. The following points have been noticed in Audit:—

(a) Loss of rent due to delay in allotment:

Delays in allotment of sheds, ranging from one to five years occurred in Industrial Estates, Ollur, Olavakot, Kollakadavu, Pappanamcode and Ettumanoor (for which necessary particulars were furnished by the department), as indicated below:—

	No. of sheds allotted between			Remarks
	2nd and 3rd years of com- pletion	3rd and 4th years of com- pletion	4th and 5th years of com- pletion	
Industrial Estate, Ollur (42 sheds completed in March, 1958).	12	7	16	Amenities like water supply etc. were provided only in March, 1961.
Industrial Estate, Olavakot (23 sheds completed in May-July, 1958 and 11 sheds by December, 1959).	9	..	..	Power connection and water supply were provided in February, 1958 and November, 1958 respectively. Sanitary arrangements and formation of approach roads, compound walls, etc. were completed during 1959 & 1960 respectively :

	No. of sheds allotted between			Remarks
	2nd and 3rd years of com- pletion	3rd and 4th years of com- pletion	4th and 5th years of com- pletion	
Industrial Estate, Kollakadavu (13 sheds completed in August-November, 1957, 9 sheds in April-November, 1958 and 20 sheds in April, 1959)	20	3	1	The delay in allotment of sheds has been attributed to the delay in providing amenities like water supply, electric connection, etc.
Industrial Estate, Pappanamcode (28 sheds completed in May, 1957—March, 1958 and 2 sheds each in November, 1958 and August, 1959)	12	1	..	Reasons awaited.
Industrial Estate, Ettumanoor (29 sheds completed in March, 1957—March, 1959 and 2 sheds in December, 1959 and July, 1960).	2	..	..	Reasons awaited.

6.4. The loss of rent owing to delay in allotment, computed after allowing six months for completion of formalities regarding allotment in these five estates amounted to Rs. 1.56 lakhs.

(b) Arrears of rent.

6.5. According to the information furnished by the department in December, 1963, a sum of Rs. 83,129 (including penal interest) was pending collection by way of rent in eight industrial estates.

(c) Fixation of rent.

6.6. Rent of the sheds of different types was fixed for 2 years in November, 1956 at subsidised rates. Orders of Government reviewing the rent after the expiry of the two year period have not yet been issued (December, 1963).

6.7. In July, 1960 the Government of India prescribed a formula for the calculation of rent and accordingly the State Government prepared revised rent statements in September, 1963. The State Government stated in December, 1963 that the question of fixing a date from which revised rates of rent were to be given effect to, was under their consideration. The average annual loss of rent owing to delay in revision of rent is estimated at Rs. 1.46 lakhs.

(d) Subsidy from the Government of India.

6.8. In September, 1960 Government of India agreed to share with the State Government for a period of five years and loss sustained by the latter consequent on the charging of subsidised rent from the industrialists. No subsidy had, however, been claimed from the Government of India till October, 1963.

6.9. The Committee desired to know the main features of the Scheme of Industrial Estates. The Secretary, Industries Department explained to the Committee that in certain areas, in order to induce small entrepreneurs to start industries, certain sheds were constructed with facilities such as electricity, water and Technical assistance. Under the scheme these sheds were given on rent to these entrepreneurs. For that purpose the Government of India gave loans and grants. On being asked about the concessions given to these entrepreneurs, the witness stated that 50 per cent of the rent was given as subsidy i.e., rent as calculated on the basis of expenditure involved.

6.10. The Committee desired to know whether any special efforts were made to provide electricity and water. The witness stated that it was part of the scheme, but in a few cases there was some delay in the matter of supply of electricity and water, when the Industrial Estates were started for the first time.

6.11. The Committee have been informed subsequently that the Government of India have so far (1955-56 to 1962-63) given a loan of Rs. 76,33,000 for this scheme. The expenditure incurred on the Scheme during the period 1956-57 to 1962-63 was Rs. 90,61,720 and including expenditure booked for 1963-64 and 1964-65 (upto September, 1965) the total expenditure was Rs. 1,35,33,946.

(a) *Loss of rent due to delay in allotment.*

6.12. The Committee desired to know whether the Government had enquired into the reasons for the lack of coordination in the matter of providing the necessary amenities which had resulted in the delay in the implementation of the scheme and had also caused loss of rent to Government. The witness stated that it was really the lack of coordination in arranging all the amenities together to be effective from a particular date that had led to these difficulties. The difficulties had, however, been removed subsequently.

6.13. The Committee referred to the Industrial Estate, Ollur and desired to know the reasons for the delay of 3 years for providing amenities like water etc., in the area. The witness stated that in respect of water, it was originally planned to have well water at the site. There was already a well at the site which was to be improved to ensure a perennial source of supply. Actually, after use it was found to be totally insufficient. So sometime had been taken for digging another well and for finding alternative sources.

6.14. The witness further added that there was a scheme in the nearby Trichur town for the water supply and it was thought that water could be supplied through an extension of pipe line from Trichur. After investigation, it was found that there was not sufficient water and power at Trichur. In that way there was some delay. In answer to a question, the witness stated that even with these inadequate amenities some 12 people were induced to come in and start the industrial estate.

6.15. In reply to a question, the witness stated that in the meanwhile, the Department had made some other arrangement for taking water whenever required from a nearby tank (at a distance of two furlongs) and that had been found to be sufficient. The tank was not thought of in the original scheme; it was later on found out and used. The resources of the tank were tapped in 1961.

6.16. On being asked about the reasons for the delay in regard to the provision of approach roads and compound walls etc. in respect of Industrial Estate, Olavakot, the witness stated that the delay was due to lack of coordination. Since that was the first series of Industrial Estates, many difficulties arose.

6.17. The witness further added that all the 34 sheds had since been occupied in the Industrial Estate, Olavakot.

6.18. The Committee pointed out that the industrial estates might be new, but the construction work and the provision of other amenities were not new and enquired as to what were the special difficulties in ensuring coordination. The witness stated that two Departments were functioning in that regard. Industries Department was handling the industrial estates and the P.W. Department was handling the construction of buildings etc. The real coordination viz., calling of conference and planning really did not exist then. In reply to a question, the witness stated that there were some procedural delays also. Sometimes bridges were completed but the construction of approach roads took 2 or 3 months. The witness admitted that there had been some delay in the matter of construction of compound walls and approach roads etc. The witness further added that the delay had been noticed and the Department had become aware of the fact. On being asked as to when the delay was noticed, the Secretary stated that the delay was noticed towards the end of the Second Five Year Plan. Some of the industrialists had complained of lack of facilities and the Department took stock of the position and in all the activities of the Third Five Year Plan there was coordination and it had been working satisfactorily.

6.19. In reply to a question, the witness stated that the applicants for the sheds were not numerous. As and when the occupants came in, electricity and water supply were arranged. There was some delay in the case of some estates, which was due to circumstances which could not be rectified at that particular time. In answer to another question the witness stated that by 1958, these sheds were being completed one by one. Necessary steps in that respect were taken and that was progressing. Meanwhile, additional amenities like water and electricity were being looked into and some delay had occurred in that process.

6.20. In regard to the allotment of sheds, the witness stated that 39 out of 42 sheds had been occupied by the industrialists. Three sheds were kept for departmental purposes such as service workshops etc. The witness further added that the following were the details of allotment of sheds:

1958	..	4
1959	..	8
1960	..	9
1961	..	7
1962	..	10
1963	..	1

6.21. The Committee desired to know the basis on which the construction of the number of sheds was fixed. The witness stated that in the early days of the programme, the number was fixed notionally. The witness further added that according to the present system some assessments of the requirements of the sheds were made and then the construction was undertaken.

6.22. The Committee regret that in the case of the Industrial Estate Olkur, due to lack of co-ordination and delay in acquisition of land (Note furnished at the instance of the Committee Appendix XLIV) improvement in and additional supply of drinking water has yet to be made although steps were stated to have been taken to provide piped drinking water as far back as 1960. The Committee need hardly emphasise that delay in providing basic amenities like water etc. result in delay in achieving the main objective of the scheme and also it results in heavy losses to the public exchequer.

6.23. Another aspect which has caused concern to the Committee is the fact, as stated in evidence, that while efforts were being made for obtaining supply of water, no one connected with the scheme knew that only at a distance of two furlongs there was a tank whose supply was found to be sufficient in 1961. This only indicates that no proper thought was given to problem at the time of construction of the sheds etc. and there was failure even to survey the area properly. Such lapses, the Committee trust will be avoided in future.

6.24. As regards delay in providing approach roads and sanitary arrangements in the case of Olavakot Estate, the Committee regret to find from a note (Appendix XLIV) furnished subsequently that there had been delay in the construction of roads and sanitary arrangements, which cannot be justified. The Committee are hardly impressed by the plea that since this was the first estate to be constructed, these deficiencies were found. The Committee feel that the work involved in construction and providing the amenities was of a normal and usual nature and hence there should have been no difficulty in ensuring proper co-ordination and speedy implementation.

6.25. The Committee desired to know the position about the allotment of sheds in the Industrial Estates, Kollakadavu, Pappnamcode and Ettumanoor. The witness stated that in respect of industrial estate Kolla Kadavu, nine sheds had remained unoccupied.

6.26. All the 32 sheds had been occupied in the Industrial Estate, Pappnamcode. On being asked about the delay in this case, the witness stated that the electric connection and water supply were

given in 1958. The delay had occurred on account of dearth of applications.

6.27. In regard to Industrial Estate, Ettumanoor, the witness stated that one shed had been kept for Departmental use and the remaining sheds had been occupied. On being asked about the reasons for the delay in this case, the witness stated that in this case also, the delay was due to dearth of applications.

6.28. As regards the three remaining Estates (out of eight), in Palayar out of 11 sheds, three were vacant, in Palluruthi all the six sheds were occupied and in West Hills all the 22 sheds were occupied.

6.29. The Committee regret to note that even now some sheds (in Kollakadavu and Palayar Estates) remain unoccupied. They hope that the Department will make further efforts to see that none of the sheds remain vacant, as it results in continuous loss of rent to Government.

(b) *Arrears' of rent.*

6.30. The Committee desired to know the reasons for the accumulation of arrears and the practice followed in regard to the realisation of rent. The witness informed the Committee that the rent was not realised in advance but it was realised from month to month. On being asked as to how the arrears arose then, the witness stated that in the beginning some of the industrial units actually did not go into production and some of the units were organised by Co-operative Societies. Sometime was allowed for the units to get started. In the earlier stages, coercive steps were not taken to realise the rent from the people, but from 1961 onwards some pressure was put on the parties after issuing notices etc., and sometime some concessions were given depending on the nature of the industry.

6.31. The Committee pointed out that according to Audit Report a sum of Rs. 83,129 was due for collection and desired to know whether the arrears had increased or decreased. The witness informed the Committee that the total due as on 30th September, 1965 was Rs. 1,50,000 but there was an increase in the number of sheds also. In reply to a question, the witness stated that on an assessment, it had been found that roughly 40 per cent of the arrears had been collected.

6.32. The Committee learnt from Audit that the management of the Estates was transferred to the Kerala State Small Industries Corporation Ltd. On being asked as to how the Department would know about the collection of arrears, the witness stated that the work between the Corporation and the Department was coordinated by the Director of Industries and Commerce who happened to be the

Chairman of the Corporation. The Corporation was doing the work on an agency basis on behalf of the Government and whatever administrative charges were incurred by the Corporation were paid by the Government.

6.33. The Committee note from the statements furnished that arrears of rent (Estate-wise) upto 31st December, 1963 had been Rs. 35,084 25. But although the collection of arrears since 31st December, 1963 amounted to Rs. 36,105·88, the balance of arrears at present is as high as Rs. 58,578 37. The position, therefore, is far from satisfactory. The Committee desire the vigorous steps should be taken to wipe out the arrears as also to ensure that arrears of rent do not accumulate any more.

6.34. They would also like the Department to consider the imposition of panel rate of interest on arrears of rent in the case of persistent defaulters as the agreement provides for charging of panel rate of interest.

(c) *Fixation of rent.*

6.35. The Secretary, Industries Department informed the Committee that the fixation of rent for the industrial estate was first made in 1956 on the basis of 4½ per cent interest on capital expenditure. On being asked about the delay in the introduction of the revised rate of rent, the witness stated that the question was a subject matter of correspondence. The rates had been revised by the Government of India on 28th September, 1965. The latest letter indicating as to how the rent had to be calculated and charged had been received and the Department was taking further action on that basis.

(d) *Subsidy from the Government of India.*

6.36. The Committee desired to know the reasons for the delay in claiming subsidy from the Govt. of India. The witness informed the Committee that the Government of India had not accepted the figures on account of their not having taken a final decision on the exact pattern of subsidy in this case. In reply to a question, the witness stated that the Department had claimed subsidy from the Government of India, but they were asked to wait till a decision was taken. The Joint Secretary, Ministry of Finance, Government of India informed the Committee that sometime before 1963 the Government of Kerala had claimed subsidy. The Government of India had not conceded the claim because the fixation of rent was not done according to the revised formula. Further, if the Government of Kerala had already drawn their quota of Central grant, they would not get any further amount.

6.37. From a note furnished at the instance of the Committee (Appendix XLIV) the Committee find that between 1960 and 1963 correspondence was carried out between the Government of India and the Government of Kerala to finalise proposals regarding calculation of rent for the sheds of the Industrial Estates. But Government of India asked the State Government on 21st September, 1963 to keep the case pending till a new formula for calculating the rent was communicated to them. This, the Government of India did on the 28th September, 1965.

6.38. The Committee can find no justification for such an inordinate delay in finalising the method of calculation of rent. The delay in revision of rent, according to Audit has resulted in an annual average loss estimated at Rs. 1.40 lakhs. In the opinion of the Committee, the responsibility for this annual loss lies more on the Government of India than on the State Government. They would, therefore, like that an enquiry is held to find out how such delay occurred in the Government of India and to fix responsibility therefor.

6.39. The Committee further desire that action to implement the decision regarding calculation of the rent should be finalised without delay and the question of claiming subsidy should also be settled.

Phyto-Chemical Project, para 25. pp. 37-38; (Audit Report, 1964)

6.40. The Indian Drugs and Pharmaceuticals Limited, New Delhi, a Government of India concern, decided to establish a phyto-Chemical plant at Neriamangalam in Kerala State. The State Government agreed in July, 1961 to make available 400 acres of land to the concern free of cost as Government's contribution for the establishment of the industry in the State and also to undertake realignment of road and supply of water, electricity, etc. to the project. Besides, in order to supply necessary raw materials for the plant, a sum of Rs. 11.16 lakhs was provided for in the Budget estimates 1961-62 and 1962-63 for the cultivation of medicinal plants.

6.41. To end of March, 1963, the following items of expenditure were incurred by Government in this connection:—

	Rs.	
(i) Land acquisition charges (including cost of land acquisition staff and ex-gratia payments to encroachers).	7,72,144	(234.68 acres acquired and handed over to the project authorities).
(ii) Investigation of Phyto-Chemical Plant.	13,887	(Estimate: Rs. 17,270)

	Rs.	
(iii) Deviation road in 34th and 35th miles of Alwaye-Munnar Road.	1,00,059	(Estimate : Rs. 1,06,000)
(iv) Water supply scheme to the phyto-chemical project	38,732	(Estimate : Rs. 1,21,000)
(v) Extension of electric line (expenditure incurred by the Kerala State Electricity Board)	1,56,678	(Estimate : Rs. 2,70,000)
(vi) Cultivation of medicinal plants.	9,14,548	
TOTAL :	19,96,048	

6.42. The company informed the State Government in November, 1962 that the work on the project was at a standstill pending the formulation of a new technological process for the manufacture of caffeine. Government, thereupon, ordered in December, 1962 that the lands involved in acquisition proceedings need not be taken possession of. The work on the water supply scheme had been stopped and the programme for cultivation of medicinal plants was also slowed down. Only 410 acres were planted upto the end of 1962-63 and provision had been made in the budget for 1963-64 only for maintenance work in the areas already planted.

6.43. In April, 1963, Government stated that the existing scheme for cultivation of medicinal plants by the Agriculture Department was to be considered as independent of the Phyto-Chemical Project. The department is stated to be trying to find out markets for the medicinal plants and the economics of the plantation in the changed circumstances are yet to be worked out.

6.44. Information as to when the Government of India is likely to resume the Project at Neriamangalam is stated to be not available with the State Government (September, 1963).

6.45. The Committee desired to know as to when the land for the project was acquired. The Secretary, Industries Department informed the Committee in evidence that the site for the project was selected in consultation with the Russian Experts and the officials of the Government of India and Government of Kerala had finalised the selection after visiting the site. The land selected was partly Government and partly private. On being asked whether the land had been given back to the parties concerned, the witness stated that the land was now being "utilised for agricultural purposes by the State Government and the land had been given to district agricultural farm". It was giving very good profit.

6.46. The Committee desired to know the types of medicinal plants which were planted on the land. The witness replied that items like *Raoulph'a Serpentina*, *Digitalia* and *hyoscyamus maticus* were

indicated as being necessary for cultivation but *Raolphia Serpentina* was the only plant which was cultivated on the land now.

6.47. On being asked about the decision of the Government not to take possession of the lands involved in acquisition proceedings, the witness stated that the land acquisition proceedings for the different blocks were in different stages. The decision was not to proceed further only where the land acquisition proceedings had not been completed.

6.48. The Committee pointed out that the selection of private land had involved acquisition proceeding and desired to know whether some other site could not have been selected for the purpose. The witness stated that the reason was that the project was mainly based on tea prunings and tea waste and so it had to be as near as possible to the tea estates. It was also to be near the harbour. All the nearest possible area around the place was private land and hence the same had to be acquired.

6.49. The Committee desired to know as to how much out of Rs. 19.96 lakhs incurred on the project had been considered fruitful and how much had been considered as waste. The witness stated that the land taken for medicinal cultivation had been fruitful. According to the witness it could not be said that the expenditure was waste or unremunerative.

6.50. The Committee have been informed that Agriculture Department has taken possession of 1,000 acres of land in the area allotted in Illithode at Kalady, out of which 600 acres have been planted with *Raoulphia Serpentina* which has a ready market. Other medicinal plants were not being cultivated as the Government of India had abandoned the project. The Committee are glad to be informed: "apart from the fact that the scheme itself was a remunerative one, the land is continued to be cultivated. Agriculture is being done therein and it is giving a very good profit."

Loss of revenue from a lease of forest areas—para 60, pages 75—78. (Audit Report, 1965):

6.51. In May, 1958 Government entered into a long term lease agreement with a rayon silk manufacturing company granting them exclusive right and licence to fell, cut and remove bamboos from certain specified forest areas in the State for the manufacture of rayon grade wood pulp or for purposes connected therewith. The lease is

to run for an initial term of 20 years reckoned from the date of regular commencement of working of the factory, renewable at the Company's option for further periods of 20 years at a time. The annual requirement of bamboos to be extracted from the areas was estimated at 1,60,000 tons. In return, the Company has to pay to Government a seigniorage of Re. 1 per ton of bamboos removed, this rate being liable to revision at intervals of ten years after the first 20 years. In August, 1962 Government entered into a supplemental agreement with the Company for providing them with additional quantities of bamboos upto a maximum of 40,000 ton per annum, subject to availability, at the same seigniorage rate of Re. 1 per ton as in the principal agreement.

6.52. The following points were noticed in audit:—

- (i) According to a decision taken by Government at a conference held on the 20th October, 1956 and communicated to the Company, the seigniorage was payable at the rate then prevailing in Malabar. In the agreement subsequently entered into, the seigniorage rate finally provided for was Re. 1 per ton of bamboos. It was noticed that the seigniorage actually prevailing in Malabar at that time was Rs. 9.37 per 100 bamboos. This works out to about Rs. 5.25 per ton based on the conversion rate of 56 air-dry bamboos per ton adopted in the report of stock-mapping of the forest areas, conducted by the Deptt. in March, 1956. The difference when computed on the actual quantity of bamboos (air-dry weight: 1,62,025 tons) supplied till August, 1964 amounted to about Rs. 6.88 lakhs; when computed on the probable quantity at 1,60,000 tons per annum for the balance period of lease (about 18 years) the difference would be about Rs. 1.22 crores. Government stated (November, 1963) that Rs. 9.37 per 100 bamboos was the rate at which sales were effected to ryots in small quantities and that for bulk sales the rate has necessarily to be lower. But the rate agreed to appear to be unreasonably low (as admitted by the Deptt. in October, 1964) particularly when compared with the seigniorage for bamboos of Rs. 3/- to Rs. 41.25 per ton prevailing in other states in respect of paper mills.
- (ii) Prior to the finalisation of the agreement, the Company had, in fact, offered (October, 1956) to pay a seigniorage of Rs. 5 per 100 bamboos, which was the prevailing seig-

niorage rate mentioned in the report of the stock-mapping of March, 1956. This works out to Rs. 2·80 per ton adopting the conversion rate of 56 air-dry bamboos per ton mentioned above. But this factor does not appear to have been considered by Government while executing the agreement. This entailed a loss of revenue of about Rs. 2·92 lakhs on the quantity of bamboos supplied till August, 1964; the estimated loss on this basis for the balance period of lease will be about Rs. 51·84 lakhs.

- (iii) The seigniorage is being worked out on the air-dry weight of bamboos in the absence of a specific mention in the agreement whether the rate agreed upon is for the weight of green bamboos or for their air-dry weight. Government ordered (July, 1964) that the Company should pay the seigniorage on the weight of bamboos in their green state. The Company has, however, contended that according to the understanding at the time of executing the agreement, the rate was to be applied on air-dry weight of bamboos. Taking the dryage to be 40 per cent of the weight of green bamboos (as adopted by the Department) the extra amount due from the Company on the quantities of bamboos supplied till August, 1964 would be about Rs. 1·08 lakhs. The details of recovery of the dues based on Government's orders of July, 1964 are awaited (December, 1964).
- (iv) According to the felling rules framed under the agreement by the Department, the Company has to stack the felled bamboos at the Forest Depots opened in the contract area, from where the Department will issue permits to the Company for the transport of bamboos to the main-storage Depot at the Factory site for weighment and assessment of the seigniorage due to Government. No reconciliation has been effected (October, 1964) between the number of bamboos despatched from the Forest Depots in the forests area and that accounted for at the main storage Depot at the Factory site. Consequently, it could not be ensured that all the bamboos despatched from the Forest Depots have actually been received in the main storage Depot and that the seigniorage due thereon has been duly assessed and demanded from the Company.
- (v) In the absence of a time limit fixed either in the agreements (principal and supplemental) or in the felling rules framed thereunder by the Department, the Company took

its own time to remove the bamboos felled the delay ranging upto 2 years in certain cases. Two instances of losses arising from such delays are given below:—

- (1) A quantity of 13,42,546 pieces of bamboos (estimated air-dry weight: 35,057 tons; market value: Rs. 13.49 lakhs; seigniorage value: Rs. 35,057) was destroyed by wild fire in March, 1964. The loss occurred because the Company failed to remove the felled bamboos in time, despite several warnings issued by the Department during November, 1963 to March, 1964.
- (2) Another 56,501 pieces of bamboos (estimated air-dry weight: 933 tons; market value: Rs. 54,000; seigniorage value: Rs. 933) were reduced to dust due to long storage for periods ranging upto two years.

The Department has not succeeded so far (April, 1965) in its attempt to recover the losses from the Company in the above two cases as there is no provision therefor in the agreement. Government stated (December, 1964) that the Chief Conservator of Forests had been asked to forward proposals for framing suitable rules fixing a time limit for the removal of bamboos.

6.53. The Committee desired to know as to when the contract for the lease of forest area to the company was negotiated and also as to how seigniorage was fixed. The Secretary, Industries Deptt., explaining the various stages of negotiation, stated that a letter was received on the 16th October, 1956 by the then Adviser to Governor from the Industry's representative in New Delhi in regard to the production of rayon pulp provided facilities of bamboo were adequate in Kerala. The Adviser had discussed the letter with the officers of the Government on 20th October, 1956. After discussion, it was agreed that the Company might be informed that the Government were willing to sanction the right of collection of bamboos from areas that were controlled by the Forest Department in Nilambur Valley for a period of 20 years in the first instance, effective from the date of execution of the agreement. The witness further added that in Travancore-Cochin area, the pattern of long term lease was usually for a period of 20 years. During that period the Company would pay seigniorage to the Government for the bamboos extracted at the rate prevailing in Malabar. The lease was also renewable for further periods of 20 years at a time. On being asked about the seigniorage rate at that time in Malabar area, the witness stated that there was no seigniorage rate prevalent in Malabar. The rate of Rs. 9.37 mentioned in the Audit Report was the rate that was applied

to the ryots but that did not relate to the bulk purchase of bamboos. Rs. 9.37 was for 100 bamboos given to the ryots in 'small amounts'. The witness added that the rate prevalent at that time in Travancore-Cochin was Rs. 12 for 100 bamboos. The area was in Malabar but negotiations were conducted at Trivandrum.

6.54. The witness further stated that immediately after discussion, a letter was sent to the company on 20th October 1956, to the following effect :

"In view of the proposal to set up a rayon grade pulp plant in Malabar District, this Government are willing to sanction the right of collection of bamboos from areas at present under the control of the Forest Department in the Nilambur Valley for a period 20 years in the first instance effective from the date of execution of the agreement in that behalf according to the pattern of long-term lease prevailing in Travancore-Cochin. The lease period rarely exceeded 20 years.

- (i) the grant of right of extracting of bamboos is for a specific purpose at 100 tons a day for a plant (rayon grade pulp) in the Malabar Area;
- (ii) the grant of right of collection of bamboos will be without prejudice to the interests of the existing local users of bamboos.

1. For the bamboos extracted by your company during the lease period, your company will pay to the Government seigniorage rate which was prevailing in the Malabar Distt.
2. The agreement will be renewable for a further period of 20 years at any time on the same terms and conditions except that the rate of seigniorage on bamboos will be liable to revision by negotiations at every 10 years interval for the first 20 year period. Similar things are given to other parties. First option will be separately dealt with."

6.55. In reply to a question, the witness stated that the question whether the bamboos would be green or dry did not come up for consideration at that time. It only came up later on. Further, the witness added that a survey of the availability of the bamboos was taken up and a report was received. The annual yield of bamboos from the areas of Nilambur Division Reserve forests, Quilon, Nilambur Valley and other areas was reported to be of 3,54,000 tons.

6.56. When the Committee pointed out that in 1956 the Company had agreed to pay the rate of Rs. 5 per hundred bamboos, the witness

stated that there was a letter dated the 17th October, 1956 from the Chief Resident Executive of the Company to the Adviser in which it had been stated that:

"It will be appreciated that before we take steps to import machinery and implement the projects,—the project incidentally is on the highest priority as the present requirements of rayon grade wood pulp are imported—we would require exclusive right to work the bomboo areas in the Nilambur division, in order to ensure to the factory a regular and continuous supply of raw material, estimated requirements thereof being, 1,60,000 tons per annum. As we would also in course of time expand the factory, we would require the following additional assurances so that our position may not in any way be jeopardised; (a) before leases are given to other parties, we would be given the first option of working such areas, and (b) should Government at a subsequent date decide to permit the establishment of other industries based on bamboo, our requirements should at all times be safeguarded. Also we should be given an opportunity of examining whether or not we would like to undertake the establishment of such industries under the aegis of the Gwalior Rayon Silk Manufacturing (weaving) Ltd., Nagda, or of any other sister concern. Period of lease: Minimum period for which a lease is required is 25 years.

Seigniorage: It is understood that the present seigniorage for 100 full bamboos is Rs. 5. While we would be agreeable to the acceptance of this rate, it is for your consideration whether, in view of the capital investment i.e., Rs. 5 crores, the use of bamboo on a large scale, and last but not the least, the provision of gainful employment for the people of Kerala, a concessional rate is not merited."

6.57. In regard to the rate of Rs. 5 per 100 bamboos, the witness stated that there was a letter dated 5th October 1956 from the Special Director of Industries. In that letter he had stated that that weight of a bomboo of 3" to 5" diameter had been ascertained as about 110 pounds and on that basis 100 bamboos were taken to weigh five tons. The witness added that the only difficulty was that the bamboo weighed at that time was not fully dry, and that was the basis on which the value of the bamboo was arrived at.

6.58. When the Committee drew the attention of the witness to

the note dated 31st January, 1958 by the Industries Secretary wherein it had been stated that the seigniorage rate had to be examined further by the Chief Conservator of Forests and the Industrial Adviser to Government as the rate specified in the draft agreement namely Rs. 5 per 100 bamboos had appeared to be rather low, the witness stated that the final draft of the lease agreement was discussed between the Chief Minister, Industries Minister on the one hand and the representative of the Company on the other and in the draft lease agreement as it had finally emerged as a result of discussion between 20-23rd March, 1958, the seigniorage rate of Re. 1 per ton was accepted. The witness further read out clause (8) of the final draft agreement which was as follows:

"No rents or other payments save such as are herein expressly mentioned shall be payable by the company in respect of the contract areas (including additional contract areas) for the period during which the same shall be held, but the company shall have to pay to the grantor a seigniorage rate at Re. 1 per ton of bamboo removed from the contract areas and additional contract areas ascertained as provided by clause (9) thereof:

Provided that in the event of the company exercising the option for renewal of this lease as hereinafter provided the seigniorage payable will be subject to revision at 10 year intervals after the first 20 years."

6.59. The Committee pointed out that at the meeting held on 4th February, 1958 in the room of the Industries Secretary, clause (8) was amended as follows:

The portion 'The company shall have the option to pay' may be substituted by 'the company shall pay'.

Instead of 'Rs. 5 per hundred or Re. 1 per ton' 'Rs. 5 per hundred may be substituted'.

6.60. The witness stated that the decision taken on 4th February, 1958 was modified on the 22nd March, 1958 when the agreement was finalised and the decision of Re. 1 per ton was taken. There was no minutes of discussion held between 20th to 23rd March, 1958 when the seigniorage rate was finalised.

6.61. The Committee desired to know the rate that was quoted in the draft agreement which was submitted for consideration. The witness stated that the draft was first received with a forwarding letter from the Company and that was on the 7th September, 1957. In that draft, para 8 was as follows:

"Any rents or other payments save such as are herein expressly mentioned shall be payable by the Company in respect of the contract areas (including additional areas) for the period during which the same shall be held but the company shall have the option to pay the Grantor a seigniorage of either Rs. 5 per one hundred full bamboos or Re. 1 per ton removed from the contract areas and ascertained as provided by Clause 9 hereof. Provided that in the even of the Company exercising the option for renewal of this lease as hereinafter provided the seigniorage payable will be subject to revision at ten year intervals after the first twenty years".

6.62. In answer to a question, the witness stated that the Law Secretary did not make any change in the draft agreement except that he had added the words "of bamboo" in pencil to clarify the whole position.

6.63. The Committee desired to know whether the rate was for dry or raw bamboo as a point raised by the Law Secretary on 7th April 1958 was "Is the seigniorage per ton for dry or raw bamboo?" The witness stated that nothing was stated in the agreement. Orders had been issued on 6th July, 1964 stating that the rate would be for green bamboo. The witness admitted that this matter could have been clarified in the agreement and it was a lapse.

6.64. The Committee are perturbed to note that in the principal agreement executed on 3rd May, 1958 (Appendix XLV Annexure A) no mention was made as to whether the rate of seigniorage applied to dry bamboo or green bamboo, despite the fact that on 7th April, 1958 the Law Secretary raised a query on this specific point. This omission continued even in the supplemental agreement executed on 6th August, 1962 (Appendix XLIV Annexure B). This point was clarified only on 6th July, 1964 through a Government Order (Appendix XLV Annexure F).

6.65. The Committee feel that omission to specify clearly in the agreements the nature of bamboos to which the rate of seigniorage applied is serious and not unintentional lapse, especially when this matter was specifically raised by the Law Secretary. The Committee desire that the responsibility for this omission should be fixed. They are of the opinion that immediate steps should be taken to incorporate the clarification also in the agreements and it should not be left to Government Order.

6.66. The Committee are amazed at the manner in which seigniorage rate was finally fixed in the present contract. On the 20th October, 1966, the Adviser to the Governor, on the basis of a request re-

ceived on 16th October, 1956 in writing from the representative of the Company in New Delhi, held discussions with the officers of the Government of Kerala and it was decided that the seigniorage rates prevalent in Malabar should be payable. But in evidence, the Committee were informed that there was no seigniorage rate prevalent in Malabar area. The Committee are unable to understand, how, when there was no seigniorage rate prevalent in Malabar, Government could decide on 20-10-1956, that a rate which was non-existent would be made applicable in the case of the contract.

6.67. What is more than surprising is the fact that while the prevalent rates for small amounts of bamboos in Travancore-Cochin was Rs. 9:37 per 100 bamboos and the Company were agreeable themselves to pay seigniorage at the rate of Rs. 5/- per 100 bamboos (which works out to Rs. 2:80 per ton based on the conversion rate of 56 air dry bamboos per ton adopted in the report of stock-mapping of the forest area conducted by the Department in March, 1956) and the Industries Secretary in his note dated 31-3-1958 had stated that the rate of Rs. 5 per 100 bamboos specified in the draft agreement was rather low and had to be examined further, the seigniorage rate finally accepted was Re. 1 per ton as a result of the discussions held between the government and the representative of the company between 20th and 23rd March, 1958. How and why this rate was arrived at, at whose instance this was done and on what grounds—are all shrouded in mystery as no minutes of the discussions held between 20th and 23rd March, 1958 are stated to have been kept.

6.68. Further confusion arose because ultimately the rate of seigniorage was Re. 1 per ton, whereas the rates earlier all along related to numbers and not weight. Since the weight of green bamboos is more than air-dry bamboos, this change without specifying the number of green bamboos that would make a ton needs clarification as to what this rate of seigniorage amounts to as compared to prevalent rates and the rates offered by the firm.

6.69. The Committee would like to emphasise that it is essential that written records of all discussions held or decisions taken or negotiations conducted especially with regard to contracts, must invariably be maintained by all government representatives concerned.

6.70. The Chief Conservator of Forests further informed the Committee that at the time of execution of the agreement, practically all the bamboos in the valley had flowered and that there were no green bamboos available for supply to the Company. The Company was extracting dead, partly decayed bamboos and there was no

question of green bamboos. The Department was charging the actual weight that went into the mill at the rate of Re. 1 per ton. In reply to a question the witness stated that the agreement did not say that the bamboos were to be air dry or green and these bamboos were also not of the type covered under the agreement. These bamboos were unsuitable for production of good paper.

6.71. In answer to another question, the witness stated that the Government had ordered that the Company might be allowed to produce lower grade pulp. The Company had started functioning in March, 1963, and had consumed 82,950 tons in 1963 and 1,33,000 tons in 1964. Later, the Company was allowed a small quantity of green bamboos from the areas outside the concession areas for which the Company was charged at a higher rate of Rs. 7.50 per ton.

6.72. On being asked as to how the Department could charge Rs. 7.50 instead of Re. 1, the witness stated that the prevailing rates at other places were taken into consideration.

6.73. The Committee desired to know as to when the Company came for the supply of increased quantity of bamboos. The witness stated that originally the Nilambur forest area was expected to yield 1,50,000 tons. It was found on a survey being conducted that the area would not yield even one fourth of the quantity. Therefore, the supplemental agreement increasing the concessional area was entered into on the 6th August, 1962.

6.74. The Committee pointed out that the area was increased to supply more quantity to the Company and enquired as to what was the rate for the increased quantity. The witness stated that the same rate was agreed upon and added that it was before the signing of the supplemental agreement on 6th August, 1962.

6.75. On being pointed out that till August, 1962, it was not considered proper to change or increase the rate even though the bamboos were to be supplied from additional areas, the Chief Conservator of Forests stated that it would not be proper to ask for a higher rate for bamboos extracted from a distant place.

6.76. In reply to a question the witness stated that for purpose of comparison of rates, Mysore rate was taken. According to a letter from the Chief Conservator of Forests, Mysore the rate fixed as per agreement by the Mysore Government with the Government of Bombay was Rs. 3.93 which came into operation in 1955 for a period of 20 years revisable at every five years. The Committee pointed out that the rate of Mysore Paper Mills, Bhadravati was

Rs. 7.90 and of Ulsoor Paper Mill Rs. 12.50. The witness stated that the cost of raw materials had been going up.

6.77. From a written note furnished at the instance of the Committee (Appendix XLV), they find that the Company has been allowed to extract excess bamboos of 13,000 tons at Rs. 7.50 per ton from the excess areas (outside the areas covered under the agreement dated 3rd May, 1958 and supplemental agreement dated 6th August, 1962) for a period of one year *vide* Memo. dated 30th September, 1964 which was extended by a year *vide* Government order dated 11th October, 1965.

6.78. The Committee cannot appreciate why the Government did not revise their rates at least at the time of Supplemental agreement in 1962. The fact that the Company agreed to pay Rs. 7.50 per ton instead of Re. 1 shows that:

(a) the prevailing rate at the time was not less than Rs. 7.50; and

(b) the Company had the capacity to pay higher rates.

6.79. The Committee are unable to appreciate why no agreement was executed for this purpose. They depreciate this tendency to regulate contracts and conditions applicable thereto by means of correspondence and Government Orders, which do not have the force and validity of a written contract and agreement. It is needless to point out that this irregular method of working contracts is fraught with risks which may involve Government in financial losses and other complications. They would therefore, suggest that there should be a written agreement in proper form about this extra extraction of bamboos.

6.80. The Committee desired to know whether in view of the losses suffered due to low seigniorage any action had been taken to revise the agreement. The Secretary stated that the agreement was in force and added that no action had been taken to revise it. In reply to a question, the witness stated that for the period of agreement, it would not be possible to revise the agreement. On being pointed out that the agreement was for the supply of bamboos for the manufacture of rayon grade pulp and not for any other purpose, the witness stated that during the initial period of manufacture, the Company had their teething troubles and during that period the Company was allowed to produce paper grade pulp instead of rayon grade pulp. The Committee desired to know whether the revision of the contract was not insisted upon when it was found that the bamboos were being used for a purpose other than the purpose for

which the concessions were given. The witness stated that the revision of the contract was not insisted upon and added that it was decided that during the period of initial manufacture, the production of rayon grade pulp need not be insisted upon.

6.81. From a study of the Principal agreement, dated 3rd May, 1958 (Appendix XLV-Annexure A) the Committee find that not only in the preamble it has been clearly indicated that the Company intended to set up "a Factory for the manufacture of rayon grade wood pulp" and the Company was "desirous of obtaining a grant from the Grantor of the exclusive right and licence to fell, cut and remove bamboos from certain areas in the Nilambur Valley in the State of Kerala for the purpose of converting the same into Rayon Grade Wood Pulp or for purposes connected with the manufacture thereof", but also clause 1(b) of the agreement specifically lays down:

"It is expressly understood that the bamboo extracted by the company as per this agreement shall not be used for purposes other than those hereinbefore mentioned."

Therefore, it passes the comprehension of the Committee, how, in contravention of the provisions of the agreement, the Company were allowed to produce paper grade pulp in the initial period of manufacture. The Committee would like to know under what authority and at whose instance this concession not permissible under the written agreement, was given to the Company.

6.82. The Committee are surprised that after the failure of the Company to abide by the terms of the contract, the question of revising the contract was not considered, nor was a notice issued to the Company under clause 14 of the agreement.

6.83. Another lacunae in the agreement is the absence of any clause enjoining the setting up of the Factory by a particular date.

6.84. The Committee desired to know the actual utilisation of the bamboos in the production of rayon grade pulp. The Chief Conservator of forests stated that all the bamboos that were extracted by the Company went into the factory and nothing was allowed to go out of the factory. There were also physical checks. In answer to another question, the witness stated that the Company had made payments at Re. 1 per ton for the green bamboos under protest and they were still insisting that the rate was for air-dry bamboos. The Secretary further added that after the Government had passed orders stating that the rate was for green bamboos, the

Company had made representations to the Government stating that the rate should be revised to air-dry and that representation had been rejected on 20th July, 1964. Thereafter, no subsequent request had been received.

6.85. The Committee desired to know the system that was followed in regard to the collection of bamboos. The Chief Conservator of forests informed the Committee that the bamboos were collected and stocked in specified areas and were removed in lorries to the Company site. All bamboos were cut and stacked under the supervision of the Department. The Company had a weigh bridge at the site. One of the Range Officers who was posted at the Company site would record the weigh of the bamboos. That system of weighment was for decayed bamboos. In the case of green bamboos, it was insisted that every time a particular lorry was engaged, the green ton capacity was fixed for the lorry.

6.86. Every time a lorry was engaged, it would be produced before the District Forest Officer incharge who would indicate its height, width, length etc. Thereafter the lorry would be loaded with green bamboos to the specified height, width, length and weight and this capacity would be certified by the Divisional Forest Officer and affixed on the lorry. The certificate would be carried by the driver of the lorry. In answer to a question, the witness stated that actual green load weight was taken. The lorries had never been permitted to load in excess over the prescribed height, length and width. These would be certified and the permit issued. Those could be checked at checking stations and surprise checks also could be done. In reply to a question, the witness stated that there were permits issued by the Range Officers and that could be reconciled with the passes that were received at the factory. There was a register maintained for that purpose.

6.87. In regard to the felling of bamboos, the Chief Conservator of Forests stated that there were detailed instructions on the subject. But that system had not been brought into play because of the flowering of bamboos. The Company was allowed to fell all the dead bamboos.

6.88. The Committee desired to know as to who was responsible for any loss after the bamboos were cut before those were loaded into trucks. The witness stated that the Company was responsible for the loss. On being asked whether a sum of Rs. 35,057 representing the seigniorage value on 35,057 tons of bamboos destroyed by wild fire in March, 1964 could be recovered from the Company, the witness stated that the figure was based on certain data of

bamboos that were lying there. When the amount was demanded, the Company had pointed out that there was some confusion about the pieces of bamboos. The Company had stated that 100 pieces were required to make 1 ton. Therefore, the demand had to be reduced to Rs. 17,000 and odd. Out of that sum, the Company had already paid Rs. 13,046. Rs. 4,025 was pending adjustment for which a notice had been issued to the Company. On being asked about the time limit prescribed under the forest Rules for the removal of bamboos after they were cut, the witness stated that under the rules only four year old bamboos could be cut and they should be removed within a month.

6.89. The Committee find from the note furnished at their instance (Appendix XLV) that in the Felling Rules no time-limit for removal of bamboos has been prescribed and only on 16th August, 1966 the Chief Conservator of Forests in a d.o. letter to Conservator of Forests Khozikode has stated that the bamboos collected by the Company should be removed within one month positively. This is yet another lapse on the part of the Government in framing the agreement and the terms, conditions and rules thereunder.

6.90. The Committee find from the documents and copies of agreements furnished at their instance that apart from the Principal Agreement, for the supply of 1,60,000 tons of bamboos annually, dated the 3rd May, 1958 and the supplemental agreement dated the 6th August, 1962, there is another agreement between the Government of Kerala and the Company dated the 3rd May, 1958 (Appendix XLV-Annexure) to give shape to the "intention and purpose of the parties to promote industries in the State and improve industrial relations between the Company and its labour and to establish a basis of understanding relative to wage rates and other conditions of employment and of means for the amicable adjustment of all disputes and grievances and to achieve the highest level of workman performance consistent with safety and good health".

6.91. The Committee do not know whether such agreements between a Company (private) and Government with regard to labour are normal features of the Government of Kerala but they feel that some of the conditions in the agreement cannot be called normal or usual. They would particularly refer to the following:—

- "1. That it is the right and responsibility of the Company to maintain discipline and efficiency in the plant, and to hire labourers and to discharge them for any cause which to the Company appears just, and to relieve labourers from duty on account of inefficiency or lack of work or other**

valid reasons subject only to the provisions contained in the Standing Orders of the Company consistent with the statutes in force."

"5. That bonus will not be related to the Company's profits or earnings but where found necessary by the Company will only be related to and paid on efficiency and productivity, according to schemes which may be formulated by the Company from time to time."

"6. (a) The Government covenants that the Company observing and performing the several functions and stipulations indicated herein shall peaceably hold and enjoy the premises, liberties and powers granted in pursuance of this Agreement or any other Agreement without any interruption by the Government or any person rightfully claiming to act for them. Government shall at all times endeavour to bring about cordial relationship between management and labour and in the case of any dispute involving harassment of the management and/or any other illegal act resulting in interruption in production, take timely and positively steps to prevent such occurrences.

(b) The Government agree with the Company that it will be difficult for them to carry on their activities, if the conditions obtaining at the time of starting their work are materially altered, and new burdens imposed on them in subsequent years. They will, therefore, do their utmost to ensure that the laws, rules and regulations, relating to the Company's relations with labour, and taxes and levies on the Company, are so administered as not to materially alter the conditions under which the Company begins its operations."

The Committee would like to know if this type of agreement has been executed by the Government of Kerala with any other Company and if not, what are the special reasons and circumstances for doing so in this particular case.

6.92. The Committee would suggest in the circumstances that the agreements, orders etc. in connection with the present contract with the Company should be thoroughly scrutinised with a view to plugging all the loopholes and lacuna and to fixing revised rate of seigniorage which would be consistent with the rates of seigniorage prevalent in the neighbouring areas.

Avoidable payment of compensation, Para 85, pages 103-104—(Audit Report, 1965).

6.93. In December, 1962 an industrialist in Bombay, the State Government and a foreign firm entered into an agreement to form a limited company for the establishment of a Heavy Transformer Factory at Ankamaly. As a result of differences of opinion between the industrialist on the one side (who was to be the promoter of the Company and in whose name the licence was secured from the Government of India) and the Government and the foreign collaborators on the other side, the foreign collaborators withdrew their participation in September, 1963 exercising the option provided in the agreement. In the meantime, the Government of India cancelled the licence granted in favour of the private industrialist, as he did not fulfil the conditions governing the licence.

6.94. The licensee in his turn alleged breach of contract on the part of the other two parties (i.e. the State Government and the foreign collaborators) and demanded compensation for his efforts and threatened legal action against the foreign collaborators and the State Government. In their anxiety to avoid litigation and embarrassment to the foreign collaborators (who had by that time agreed to participate in another company formed for the same purpose by the Kerala State Industrial Development Corporation, a wholly State owned Company), Government sanctioned a compensation of Rs. 2 lakhs in March, 1964 to the private industrialist. According to the private legal opinion taken by the Government, they were not liable to pay any compensation towards the preliminary expenses incurred by the promotor or on any other count. In July, 1964 Government stated that a decision to pay the compensation had been taken for the speedy establishment of the industry in the State under other arrangements.

6.95. This amount was reported to have been reimbursed to Government in October, 1964 by the newly established Company along with other organisational expenses already incurred by Government. In the new Company the State Government and the Kerala State Industrial Development Corporation which is a completely State owned Company together hold 99.99 per cent of the share capital as in October, 1964 and six out of the nine members of the Board of Directors are either the nominees of the Government or of the Corporation.

6.96. The Committee desired to know as to (i) how the compensation of Rs. 2 lakhs was fixed and (ii) what were the circumstances

under which it was decided to withdraw their participation from the joint venture. The Secretary, Industries Department informed the Committee that originally a licence was issued to a Bombay Industrialist for the manufacture of transformers. The Government of Kerala and a foreign firm were also partners, in agreeing to form a Company to start the factory. According to the basis of the agreement, the licensee (Bombay Industrialist) had to take certain action as a promotor. At a certain stage he failed to carry out his part regarding the establishment of the factory.

6.97. The witness added that the Government wanted to go ahead with the project. The promotor had taken initiative in the promotion and financing etc. of the project. But when it came to the question of acquiring land, the promotor did not have money to acquire the lands. When the Committee asked whether he was asked to find all the money that was required for this purpose and whether there was any breach of agreement on his part, the witness stated that this was one instance where the promotor did not rise to the occasion.

6.98. The Committee pointed out that it was provided in the agreement with the promotor and the collaborator that if the promotor could not secure the approval of the agreement within 6 months, the collaborators would have the option to revoke the collaboration agreement. Since the agreement was not approved within the period, the collaborators revoked the collaboration agreement.

6.99. The witness added that in the process of examining the possibility of getting a transformer project established in Kerala, the possibility of foreign collaboration was considered. Discussions were held with a foreign firm for this purpose. The promotor also "had a hand in discussing these things" with the foreign firm. The foreign firm were willing to collaborate. The industrialist had applied to the Government of India for a licence and he got it.

6.100. The Committee desired to know the reasons for selecting this particular industrialist. The witness stated that there was no party in Kerala, who could be encouraged. The Bombay industrialist (who was a person from Kerala settled in Bombay) had agreed to sponsor the case. The industrialist had corresponded with the foreign collaborators. The witness further stated that at a certain stage the industrialist had formed a company with the minimum number of directors. On being asked about the agreement in regard to the basis of collaboration between the Government of Kerala and the private party, the witness stated that in the basic agreement it

was stated as to how many directors each party would nominate on the board. The board was to consist of 12 directors. Out of that one-sixth each were to be nominated by the foreign collaborators and by the Kerala Government and two-thirds were to be elected from among the share holders. To begin with, the industrialist had appointed three directors. In reply to a question, the witness stated that before the convening of the meeting, there was some correspondence from the industrialist in which he had asked the Government to nominate their directors. But the understanding at the meeting held before was that the foreign collaborators, the Government of Kerala and the industrialist should jointly consider the most suitable directors to be nominated but that was not heeded.

6.101. The Committee desired to know as to when the industrialist had asked the Government to nominate their directors and also as to when the first meeting was convened by the industrialist. The witness stated that a letter was received from the industrialist on the 4th April, 1963 (a copy of which was also sent to the collaborators by the Industrialist) in which it had been stated:

“the above company has been incorporated and the certificate of incorporation was issued on the 23rd February, 1963 by the Registrar of Companies, Ernakulam. The three persons appointed as directors as per article 88 of the Articles of Association of the company are..... (three names are given). We have also filed before the Registrar of Companies the concerned letters..... The rest of the vacancies in the board are also to be filled up immediately before the prospectus can be issued by the company. On incorporation of the company, the promoters cease to have any function and therefore, it would be necessary to treat the committee of sponsors as dissolved. Certainly, the parties who are members of the committee of sponsors will continue to be vitally concerned in the affairs of the company in their capacity as party to the tripartite company. We shall keep you informed about further development in due course.”

6.102. In answer to a question the witness stated that after that letter was issued, the industrialist had requested the Government through a telegram to send an observer to the first meeting of the directors on the 16th April, 1963 at New Delhi. In this telegram it was also mentioned that the foreign collaborators had also been requested to send an observer and agenda papers had been sent to the Government of Kerala.

6.103. On being pointed out that the industrialist had made a reference to the Government and had waited for a number of days, the witness informed the Committee that there was a committee of sponsors which had consisted of the foreign collaborators, Government of Kerala and the representative of the promoter. After the basic agreement was signed, that Committee used to meet once in a month. Further steps to be taken for the formation of the Company were discussed at each meeting. It was also decided at these meetings that the number of directors to be nominated and who they should be, should be discussed further among the parties and decision taken, instead of the promoter unilaterally nominating 8 directors and leaving the nomination of two each to the foreign collaborators and the Government. The Government and the foreign collaborators wanted to be associated even with the selection of other directors. On being asked about the objection of the Government of Kerala to the appointment of 3 directors by the promoter, the witness stated that the action of the promoter in registering the company with a minimum number of directors and convening a meeting without consulting the Government or the foreign collaborators was not proper. The Industries Secretary objected to this in a telegram dated 12th March, 1963 to the Promoter. The Government had asked the parties to come to Trivandrum to discuss the entire question and to arrive at an amicable settlement regarding the future action to be taken by the parties who were to form the company. At that meeting held on 22nd March, 1963, no agreement could be reached. In reply to a question, the witness stated that considering the importance of the industry and the amount of the capital that was required, it was the opinion of the Government and the foreign collaborators that some prominent industrialist from all over India should be selected and associated with the company. At the meeting of the Committee of sponsors, the promoter was informed by the foreign collaborators and the Government that the parties concerned should sit together and in consultation decide the question of nomination of directors.

6.104. The Committee desired to know why the Government of Kerala had decided to cancel the arrangement with the promoter. The Secretary stated that while the other parties were still for discussion in regard to the certain formalities for organising the company, the promoter went against the wishes of the other two parties to the agreement and then unilaterally had tried to take the control of the company, which he had formed without consulting the other parties.

6.105. On being asked whether it was not a breach of contract which had involved the Government in a loss, the witness stated that

here was no breach of contract on the part of the Government. The witness further added that the *bona fides* of the Government were borne out by the fact that immediately after the notice of the first meeting was issued by the promoter, the Government had convened a meeting at Trivandrum for an amicable settlement of the question.

6.106. The Committee desired to know as to why the Government of Kerala had agreed to pay Rs. 2 lakhs to the promoter, if there was no breach of contract on their part. The Secretary stated that at a certain stage, the Government had found that something had to be done to salvage the project. At that stage, the Government had thought of inducing the foreign collaborators who alone knew the know-how to start the project. The collaborators were also willing on certain terms which had already been approved by the Government after negotiations over a period of time. The foreign collaborators were approached and were asked whether they would be prepared together with the Government of Kerala to start a new project on the same lines if this project fell through. In reply to a question the witness stated that the State did not want to lose the service of the foreign collaborators. The Government were anxious to get the foreign collaboration for starting some industry with or without the promoter. So the Government had decided to salvage this project with the assistance of the foreign collaborators. The foreign collaborators were approached and they were prepared to come on the same terms and conditions which were already negotiated by the Government of India on the condition that there would not be any trouble from the promoter. They did not like to have any case or suit or legal proceedings against them.

6.107. The Secretary added that the Government wanted to set up the industry in Kerala because of development possibilities. In that process, if it had involved some payment of remuneration to the promoter for his services, it was found necessary and justified.

6.108. In answer to a question, the Finance Secretary informed the Committee that the payment of compensation of Rs. 2 lakhs to the promoter was decided by the Council of Ministers.

6.109. In reply to a question, the witness stated that the Government of Kerala had helped the licensee to obtain the licence from the Government of India. On being asked as to why the Government of Kerala had decided to get a licence in the name of a private industrialist and not in the name of the Kerala Government, the witness stated that the question of Government themselves establishing a factory was not considered at all.

6.110. The Committee referred to the audit para that Government of India cancelled the licence and desired to know the stage at which and at whose instance the industrial licence was cancelled. The witness stated that the industrial licence was cancelled because the promoter did not fulfil the conditions. The witness further added that the Government of Kerala had discussions with the foreign collaborators and the Government of India in regard to the whole matter. It was realised that the scheme should not be lost to the State. The foreign collaborators who were the key figures had found that they could not work with the promoter. It was also found that if the foreign collaboration was lost, the scheme would be lost to the State. The representative of the Kerala Government went to Delhi and had discussed the entire question with the officers at Delhi and had requested their assistance for another licence to the Kerala State Industrial Development Corporation which was a completely Government owned Corporation and which had taken shape by that time.

6.111. The Committee desired to know as to when the Kerala State Industrial Development Corporation was formed. The Secretary informed the Committee that the Kerala State Industrial Development Corporation was formed in 1961 for the purpose of assisting the development of industries. The Corporation was fully Government owned with directors appointed by the Government. The main aims of the Corporation were to sponsor applications for the issue of licences for the setting up of factories and the giving of loans to the industrialists. They also participated in share capital of such loan. On being asked whether it was a fact that after the formation of the Development Corporation, the Government of Kerala had decided to run the project as a Public Sector Undertaking, the witness stated that the Government had no such idea when the Development Corporation was formed.

6.112. The Committee are far from happy to note the manner in which this case has been dealt with. They are unable to understand as to why in the first instance, the Government of Kerala should help a private industrialist to obtain a licence for setting up of a factory, when the Government themselves were partners in the venture, specially in view of the fact that the projects of this nature come under Schedule A (State Sector) of the Industrial Policy Resolution, 1956. The argument that the question of Government themselves establishing a factory was not considered at all, loses much of its force by the subsequent developments when the same collaborator was prevailed upon to agree to the setting up of a company under the aegis of the Kerala State. In this connection, the Committee

would like to draw attention to the notes (Appendix XLVI) furnished at the instance of the Committee wherein it has been stated, *inter alia*, "Heavy Transformer manufacture was reserved by the Government of India for the public sector. The Government of India issued a licence to Shri on the 26th September, 1961 due to the good offices and efforts of the State Government." The Committee are of the view that, if the State Government had taken the decision, from the very beginning to set up this project in the public sector, in conformity with the accepted policy, the subsequent complications and the payment of Rs. 2 lakhs as compensation to the private industrialist could have been avoided.

Kerala Khadi and Village Industries Board, para 79, pages 97-99 (Audit Report, 1965).

(i) *Utilisation of loans and grants.—*

6.113. The Board received grants and loans aggregating Rs. 28.27 lakhs and Rs. 2.38 lakhs respectively from the State Government upto the end of March, 1964; but utilisation certificates of grants and loans aggregating Rs. 6.65 lakhs and Rs. 2.25 lakhs respectively have not been furnished to Audit (October, 1964). Year-wise details of these cases are furnished below:—

Period of payment	Grant	Loan
	(In lakhs of rupees)	
1957-60	5.29	0.57
1960-61	0.48	..
1961-62	0.31	0.22
1962-63	0.27	0.70
1963-64	0.30	0.76
TOTAL	6.65	2.25

6.114. The Committee referred to the recommendation contained in the Report of the State Public Accounts Committee (1963-64) and desired to know whether a final decision in regard to the question of amending the Act to include a provision for placing a separate Audit Report before the Legislature had been taken. The Secretary informed the Committee that the final decision had not yet been taken and the matter was still under consideration. The Secretary, Kerala Khadi and Village Industries Board added that the amendments were proposed to the State Government. In the meanwhile, a model Act was suggested by the All India Khadi and Village Indust-

tries Commission incorporating therein all the amendments and these had been sent to State Government. The Board had already agreed to the amendments. The Secretary stated that there should be no difficulty in placing the Audit Report on the Table of the House.

6.115. From the notes (Appendix XLVII) furnished at the instance of the Committee, it is seen that the question of placing the Audit Report on the Table of the Legislature is still being considered by the Government. **They regret to note that the recommendation of the State Public Accounts Committee has not been implemented so far. They desire that immediate action should be taken in that direction.**

6.116. The Committee drew the attention of the witness to the Table in the Audit Report and desired to know the action taken to clear the old outstandings, particularly in regard to the amounts drawn prior to 1962-63. The witness stated that out of a sum of Rs. 5.29 lakhs that was received from the State Government during 1957-60, utilisation certificates for an amount of Rs. 3.75 lakhs had already been furnished. Utilisation certificates for an amount of Rs. 1.53 lakhs were yet to be furnished.

6.117. In answer to a question, the witness stated that the State Board came into existence only on 1st August, 1957. Before that all the schemes of Khadi and Village Industries were sanctioned by the Industries Department. In 1957-58, all the balance that was remaining with the Industries Department was transferred to the State Board. That amount was Rs. 5.29 lakhs grant and Rs. 70,000 loan.

6.118. The Committee suggest that vigorous steps should be taken to clear the old outstandings relating to all the previous years.

6.119. The Committee desired to know the ratio between the grant and the loan. The witness stated that it was according to the approved pattern of the Khadi Commission. The Secretary further added that the State Government had carried two obligations. They had paid the expenditure on staff and there were also four items of small industries which did not find a place under the Khadi scheme. These schemes were being looked after through the funds that were provided by the State by way of loan and a small part of the grant. The Joint Secretary, Ministry of Finance, Government of India informed the Committee that the loans and grants would vary according to the different schemes and also according to the performance and progress. Cost of certain items like establishment was entirely borne by the State Government and that went as a grant. In reply to a question, the witness stated that loans could be more than grants.

6.120. The Committee desired to know whether the financial position of the institutions was taken into consideration before the grants and loans were given. The Secretary, Kerala Khadi and Village Industries Board informed the Committee that the main portion of the grant was for administrative expenses. While distributing loans and grants to Societies their financial position was taken into consideration. On being asked about the break-up in regard to the portion relating to expenses on administration, the witness stated that under the Third Five Year Plan grant that was provided for expenses on administration in the State budget was Rs. 30 lakhs and Rs. 10 lakhs for financing co-operative Societies. In regard to co-operative societies the Finance Secretary stated that managerial assistance was provided as grant and Rs. 10,000 was provided as loan for working expenses. On being asked about the basis laid down for advancing loans, the witness stated that there was difference in the pattern of assistance for each scheme. The total amount was worked out on the basis of the amount for each scheme.

6.121. The Committee desired to know as to how it was ensured by the Finance Department that the grants and loans that were sanctioned were properly utilised by the Board. The Finance Secretary informed the Committee that the Board had to prepare its budget and send it on to Government. After the expenditure was incurred, the Board had to send the utilisation certificates and the grant was regulated on that pattern.

6.122. The Committee desired to be furnished with a note indicating the total amount of grants received by the Board from the Khadi and Village Industries Commission and from the State Government during 1963-64 and 1964-65, the figures of expenditure, production-targets and achievements and the number of schemes involved during these two years. The note has since been furnished and is at Appendix.....

6.123. It is seen from the Statements I and II to the Appendix.... that the following loans and grants were received by the State Board during the years 1963-64 and 1964-65 for the various schemes from the Khadi and Village Industries Commission and the State Government:

Khadi and Village Industries Commission.

Year	Loan	Grant
1963-64	Rs. 46.26 lakhs	Rs. 26.96 lakhs
1964-65	Rs. 26.06 lakhs	Rs. 17.

State Government.

Year	Loan	Grant
1963-64	Rs. 0.76 lakhs	Rs. 4.94 lakhs
1964-65	Rs. 0.58 lakhs	Rs. 4.88 lakhs

6.124 The above figures indicate that the quantum of assistance received from the State Govt. is very much less, when compared to the quantum received from the Khadi and Village Industries Commission.

6.125. It is also seen from the statements that the target of production fixed in respect of village oil for the years 1963-64 and 1964-65 was Rs. 100 lakhs and Rs. 116 lakhs respectively and the corresponding production during the years was Rs. 61.22 lakhs and Rs. 80.91 lakhs respectively.

6.126 The Committee hope that efforts would be made to achieve the targets of production fixed in respect of various schemes.

6.127. The Committee would also like the Finance Department to ensure that further loans and grants are given after they are satisfied about the proper utilisation of the sums granted earlier.

(ii) *Non-utilisation or misutilisation of assistance given by the Board—*

6.128. As part of its activities, the Board extends financial assistance in the shape of loans and grants to co-operative societies and other institutions. Upto the end of March, 1964, the Board had received loans and grants aggregating Rs. 2,23.86 lakhs from the Khadi and Village Industries Commission, out of which financial assistance was rendered to 1,222 institutions. The following points were noticed in Audit;—

(a) *Non-execution of agreements.*—No agreements to utilise the assistance on the objects for which it is given, have been executed with any of the beneficiaries. The Board stated (October, 1964) that steps were under way to have agreements executed.

(b) *Funds locked up in banks.*—A sum of Rs. 1.76 lakhs (Grants Rs. 0.54 lakh and loan: Rs. 1.22 lakhs) given to 16 institutions

during December, 1959 to November, 1962 is still remaining unutilised. This includes Rs. 47,000 (Grants: Rs. 19,500 and loan: Rs. 27,500) given in April, 1962 to Kaniampuram clay workers Co-operative Society, Ottappalam, for a glazed Pottery Unit, the formation of which was reported to have been abandoned in December, 1963.

(c) *Misutilisation of assistance.*—Assistance amounting to Rs. 1.28 lakhs by way of loans and grants given to 12 institutions during periods prior to March, 1964 was utilised for purposes other than these for which it was given.

(d) 324 of these institutions which received loans and grants aggregating Rs. 12.04 lakhs are now defunct (October, 1964).

6.129. The Committee desired to know as to why amounts were paid to institutions without the execution of agreements. The Secretary, Kerala Khadi and Village Industries Board informed the Committee that the agreements were executed by all the recipient societies in the form in which it was originally prescribed by the Khadi Commission. According to the subsequent instructions of the Khadi Commission, a separate hypothecation deed had to be obtained from all these institutions. The Board was taking steps to get all the hypothecation deeds executed and this work was expected to be completed by the end of December. On being asked whether the question of obtaining sureties had been considered to ensure prompt recovery of the loans, the witness stated that according to the bye-laws the President and the Members were responsible for repayment of the loan. He added that at every stage there was a check to ensure proper utilisation of the amount.

6.130. The Committee desired to know whether any action was taken in cases of diversion of the financial assistance. The witness stated that in four cases the amount had been recovered in full. On being asked about the amount that was involved in these four cases and the amount involved in the other 8 cases, the witness stated that a sum of Rs. 41,500 under loan and Rs. 30,000 under grant had been recovered from the four institutions. In respect of the balance, Board was taking action to see that the assistance was not locked up in the bank.

6.131. The Committee desired to know the action taken in regard to the 324 institutions which had received loans and grants aggregating Rs. 12.04 lakhs and which had now become defunct. The witness stated that out of 324 institutions, loans and grants from 45 institutions had been completely recovered. The amount outstanding now was Rs. 10.14 lakhs. On being asked about the break up

of loans and grants the witness stated that out of Rs. 12·04 lakhs, Rs. 7·74 lakhs were loans and the balance was the grant. In reply to a question, the witness stated that initially there was some difficulty.

6.132. In reply to a question in regard to the 1,222 institutions mentioned in the Audit Report, the witness stated that out of 1,222 institutions, nearly 1,000 were constituted under the co-operative Societies Act while the remaining were under the Charitable Societies Act. A monthly performance report in respect of societies was received and on an average 800 to 900 reports were received.

6.133. The Committee suggest that further assistance to the institutions should be stopped immediately in the event of any diversion of funds for purposes other than those for which the assistance is given. Strict watch should also be kept over the institutions to whom assistance was given to see that they are functioning properly.

6.134. From the note (Appendix XLVIII, furnished at the instance of the Committee it is seen that the 324 institutions became defunct during the period from 1958 to 1963. Loans and grants from only 45 institutions have been recovered so far and the amount of Rs. 10·14 lakhs is still outstanding. They hope that early steps would be taken to realise the outstanding amounts.

(iv) *Unaccounted goods.*—

6.135. Khadi goods costing Rs. 0.96 lakhs acquired by the Board for the Khadi and Village Industries Exhibition held at Trivandrum in October, 1958 are to be accounted for (October, 1964). Certain officials who were in charge of the exhibition were held responsible for the loss in July, 1962; but the loss has not been made good (October, 1964). The Board has not (October, 1964) brought this to the notice of the State Government or of the Khadi Commission.

6.136. The Secretary, Kerala Khadi and Village Industries Board informed the Committee during the course of evidence that after the Khadi and Village Industries Exhibition held in Trivandrum in October, 1958 was over a Central godown was opened and the goods were transferred to that godown. There were certain invoices which were not properly acknowledged by the persons who were in the office at that time. On being asked about the action taken against the persons responsible, the witness stated that the explanation from the persons concerned had been received. The explanation was

being scrutinised and a decision would be arrived at. On being asked about the amount of loss, the witness stated that the Audit was now being conducted to assess the exact amount of loss. When the Committee pointed out that the exhibition was held in 1958 and no action had been taken so far to ascertain the actual loss the witness stated that somehow it had not been done.

6.137. The Committee drew the attention of the witness to the inspection report of the Accountant General for the year 1963-64 and pointed out that according to the report further action had been dropped because the persons concerned did not reply. The witness informed the Committee that further action had not been dropped. There was further inspection of the accounts by the time the explanations were called for. It was thought that unless the entire accounts were audited, the Board would not be able to fix the responsibility. The witness added that the case was being pursued and the Board was trying to find out the exact amount of loss to fix responsibility on those responsible.

6.138. The Committee desired to know as to why the loss was not brought to the notice of the State Government or the Khadi Commission. The witness stated that the Government and the Khadi Commission were not informed in 1958. Now the Government and the Khadi Commission had been apprised of the case. On being asked as to why action was not taken to inform the authorities till October, 1964, the witness stated that the impression till October, 1964 was that the estimated deficit was Rs. 10,000. Action was taken and the matter was also before the Board.

6.139. The Committee desired to know whether or not the Finance Deptt. took serious notice of the fact that even irregularities were not reported to the Government by the Board. The Finance Secretary informed the Committee that since the case was brought to the notice of the Finance Deptt., the Deptt. would take a serious notice of the case and action would be taken against the persons responsible. In reply to a question, the Secretary, Industries Deptt. informed the Committee that the Board had proposed to address the State Government separately on this subject and that report was still awaited. He added that in the light of the discussion, which had taken place during the course of the examination of this Audit para, the Deptt. would immediately initiate action without awaiting the report from the Board so that a thorough examination of the whole case was done and suitable action taken as early as possible.

6.140. The Committee regret to point out that there was inordinate delay on the part of the Board in assessing the loss in this case.

It is only now that audit is being conducted to assess the loss relating to the period of 1958.

6.141. The Committee are further surprised to note that no action was taken by the Board to inform either the Government or the Khadi Commission till October, 1964 for which it appears no serious notice has been taken by the Industries Department or the Finance Department. They suggest that early action should be taken against the persons responsible for the loss and a report submitted to the Public Accounts Committee.

(v) Loss of stores in Khadi Gramodyog Bhavans.—

6.142. The Board maintains 9 Khadi Gramodyog Bhavans, one in each District of the State, for propagating Khadi and Village Industries. Saleable articles like handicrafts and village industries products costing about Rs. 30,000 purchased prior to 1958 are remaining unsold in these Bhavans (October, 1964). In the Bhavan at Trivandrum, Khadi goods costing Rs. 47,934 were reported to be missing (July, 1963). The Manager of the Bhavan was placed under suspension in May, 1963; an enquiry is reported to be in progress (October, 1964).

6.143. The Committee desired to know whether the enquiry about the missing Khadi goods against the Manager, Khadi Gramodyog Bhavan, Trivandrum had been completed. The Secretary stated that the enquiry had been completed and steps were being taken to prosecute the manager. In regard to the amount of Rs. 47,934, the witness stated that according to the usual procedure, if there was any excess in similar or near similar varieties these would be adjusted towards deficits in these varieties. The actual amount might be about Rs. 18,000. In reply to another question, about fixing of responsibility the witness stated that the amounts paid by some parties through money order were not brought into account. There were also certain credit sales made to certain bogus persons who were not in existence at all. On being asked about the quantum of work in the Bhavan where only a manager was appointed, the witness stated that the Bhavan was a small unit with a stock worth about Rs. 50,000 to Rs. 60,000 at a time, and the loss had occurred in the course of four or five years. Apart from the Manager there was only a boy Assistant at that time in the Bhavan.

6.144. The Committee hope that early action would be taken against the Manager of the Bhavan.

6.145. The Committee would also like the Board to devise a procedure whereby such cases of defalcations do not remain undetected for a long period of time.

(viii) *Payees' acknowledgements not made available to audit.*

6.146. In 1963-64 payees' acknowledgements in 404 cases for Rs. 21,52,295 were not made available for scrutiny during local audit. Payees' acknowledgements in respect of 74 cases for Rs. 4,11,489 relating to 1961-62 and 144 cases for Rs. 11,82,789 out of 154 cases for Rs. 14,49,297 relating to 1962-63 mentioned in paragraph 65, page 86 of the Audit Report, 1964 were still not made available (October, 1964).

6.147. The Committee desired to know the steps taken by the Board to obtain the acknowledgements. The Secretary, Kerala Khadi and Village Industries Board stated that the Board had collected some acknowledgements and subsequently many items had also been shown to audit. In reply to a question, the witness stated that the stamped receipt received was kept in the loan file. The payees' receipt was the formal receipt sent by the institution from their printed receipt book.

6.148. The Committee would like to point out that the absence of payees' receipts is fraught with financial risks. They, therefore, suggest that steps should be taken to obtain proper receipts promptly from the institutions concerned, invariably in all cases.

VII

PUBLIC WORKS DEPARTMENT Kerala State Electricity Board

Extra expenditure in the purchase of teak wood poles, para 63, page 83 (Audit Report, 1964).

7.1. In July, 1962, the Kerala State Electricity Board invited tenders for the supply of 50,000 raw teak wood poles of various sizes. The Board sanctioned the purchase of the entire quantity from the lowest acceptable tenderer in August, 1962. Simultaneously the Board placed orders with another firm for the supply of an additional quantity of 16,000 poles at rates ranging from 11 per cent to 22 per cent in excess of those quoted by the accepted tenderer. This second firm had not responded to the tender but had made a voluntary offer prior to the invitation of tenders to make the supply. The firm was also allowed to carry out the supply without furnishing any security. Compared to the lowest tender, the purchase resulted in an extra expenditure of about Rs. 1 lakh. In September, 1963, the Electricity Board stated that the purchase of the extra quantity was sanctioned with a view to tide over the difficulties experienced by the Board in achieving targets due to shortage of poles.

7.2. The Committee desired to know as to (i) what were the requirements of the teak wood poles and (ii) whether the requirements were properly assessed when the tenders were invited in July, 1962. The Chairman, Kerala State Electricity Board informed the Committee that during that period the requirements were assessed and there was the necessity of collecting about 1,00,000 poles for the works. The position of supply of poles was poor and the Board was not getting sufficient number of poles. As such the Board was trying to get as many poles as possible so that the works might not suffer. The Committee pointed out that the Board had issued tenders for 50,000 poles and had received the offer for that quantity and if they had placed orders for a larger quantity they would perhaps have got that quantity also and enquired as to how it was difficult to get the poles. The witness stated that their experience was that it was difficult to get the poles and that they were unable to get even the 50,000 poles. The tenderer had given the limit of 3,000 poles per month and at that rate it would take 16 to 17 months to supply

50,000 poles. In reply to a question the witness stated that there were four tenderers and they were also unwilling to supply more than 1,000 or 2,000 poles and that too at a very high cost.

7.3. The Committee desired to know as to why the Chief Engineer had recommended the purchase of only 35,000 poles (31,000 poles according to Audit) instead of 50,000 poles after the tenders were invited when in fact there was scarcity of supply of poles and also when the poles were continuously required by the Board. The witness stated that since the delivery period was very long the Chief Engineer had recommended that the Board might get 35,000 poles. But the recommendation of the Chief Engineer was overruled by the Board and the Board had recommended that since there was scarcity of poles and also as the tender was reasonable the Board might get all the poles which the tenderer had offered to supply.

7.4. In regard to the supply of an additional quantity of 16,000 poles from another firm, the witness stated that the firm had given a voluntary offer and that was recommended by the Chief Engineer. The Board then had considered the offer and decided to call for tenders for these poles. The Chief Engineer had called for tenders and four firms had quoted. The offer of all the four firms were considered together with the voluntary offer. The lowest tenderer had offered to supply 50,000 poles. On being asked as to why the voluntary offer was not considered as a tender, the witness stated that the firm had given a voluntary offer and it was considered by the Board but the Board did not want to place orders unless the Board knew the current price. In reply to a question, the witness stated that the requirements of poles were about 7,000 to 8,000 poles per month.

7.5. The Committee desired to know as to why a higher price was paid to the voluntary offerer than the price paid to the lowest tenderer. The Secretary, Public Works Department informed the Committee that it was the next best offer. The offer of the lowest tenderer who had offered to supply 50,000 was accepted by the Board. If the Board wanted to have any more poles without going in for any other tender, the next best offer for the supply of poles was very much higher. Taking all these factors into account the Board had then decided to accept the voluntary offer made by the firm.

7.6. In reply to a question, the Chairman, Kerala State Electricity Board stated that the other tenderers were not asked to reduce the price before the orders were placed with the firm who had made a voluntary offer because the second lowest tenderer was very much

higher. On being asked whether the lowest tenderer was asked to supply 66,000 poles instead of 50,000, the witness stated that in the tender notice, the Board had asked the tenderers to indicate the maximum quantity that could be supplied. When the Committee pointed out that according to the information collected by audit the Board had received 30,628 poles during the period 1962-63 and had issued 14,585 in a period of six months and that the issue of poles came to a little more than 2,000 a month and not 7,000 as stated by the witness earlier, the witness stated that raw poles were received from the parties and those poles went to the treatment yard for treatment before those were issued for works. The treatment of poles took some time and it would be in the accounts of the treatment yard as stock. The capacity of the treatment plant was also about 1,500 to 2,000 poles per month and that was a continuous process. When the requirements were 7,000 poles every month 2,000 poles were received from the yard. As the position was very bad the Board was unable to meet the demand for the treated poles. In reply to a question, the witness admitted that even if there was surplus stock of raw poles, that would not have helped the Board because the capacity of the treatment plant was limited. The witness added that the plant worked in two shifts and the Board was increasing the treatment capacity as much as possible. In answer to another question, the witness stated that if there was more capacity, all the poles would have been treated and issued.

7.7. The Committee desired to know the basis on which the audit was informed that the monthly requirement was 7,000 poles. The witness stated that on the basis of the estimate of the Board it was about 7,000 poles per month and 80,000 yearly.

7.8. The Committee desired to know as to why an order for 16,000 poles was placed with the firm without obtaining the security. The witness stated that there was difficulty in regard to the financing from banks. The Board was also not obtaining the security from the other contractors. In answer to a question the witness stated that two voluntary offers were received and one offer was very much higher. The voluntary offer which was accepted by the Board was the next best which the Board could get.

7.9. From the notes (Appendix XLIX) subsequently furnished to the Committee, it has been stated that the capacity of the 4 treatment plants on two shifts working 6 days of the week, is 2,000 poles a week, and not 2,000 per month as stated during evidence.

7.10. The Committee regret that such a serious discrepancy should have occurred during evidence. In his evidence before the Committee the Chairman, Kerala State Electricity Board had tried to explain that the capacity of the treatment plants was about 1,500 to 2,000 poles per month and hence though the requirement of poles was 7,000 every month, only 2,000 was received from the yard. The Committee would like the Dept. of Finance to issue instructions that the officers who give evidence before the Committee should be sure of their facts and figures to avoid such discrepancies.

7.11. The Board had issued tenders for the supply of 50,000 poles and had received the offer for the entire quantity. Hence, the Committee are of the view that if the Board had invited tenders for a larger quantity, there was every likelihood that they would have got the offer for the larger quantity.

7.12. The Committee are unable to understand why no attempt was made by the Board to persuade the supplier who had made the voluntary offer to reduce the price to that of the lowest tenderer.

7.13. In regard to the issue of poles also, the Committee find from the note (Appendix XLIX) furnished at their instance, the Board at no time had issued 7,000 poles except during November, 1963 when the issue was 6,982 poles. The view of the Board that the poles would not be available is based more on surmise than on facts.

7.14. From the facts placed before the Committee, they do not find any justification for accepting a voluntary offer from a party who had not given a tender at an extra cost of about Rs. 1 lakh. It is surprising that even the formality of obtaining a security from the party concerned was dispensed with. The Committee recommend that an inquiry should be held in regard to the circumstances which led to the acceptance of the voluntary offer.

Failure to assess the quantity of work correctly, para 78, page 97 (Audit Report, 1965).

7.15. The rate for an item viz. "rock blasing" provided in the contract for the work of levelling site for the Power House and the Transformer Yard of Sholayar Hydro-Electric Project was Rs. 19 per unit of 100 cft. The tender and agreement stipulated that the quantities to be executed were only approximate and liable to vary widely in actual execution and that the rates quoted were to hold good for any quantity. Despite these specific conditions the contractor was allowed enhanced rate of Rs. 25 per unit for quantities

of rock blasting beyond 110 per cent of the quantity of 8,89,250 cft. specified in the agreement. This entailed an extra expenditure of Rs. 16,128 on 2,68,800 cft.

7.16. As the contractor failed to complete the work within the time allowed, the Department at its own initiative terminated the contract in July, 1962 after giving due notice to the contractor. The balance work of rock blasting (2,40,000 cft.) was then got executed by another contractor at a still higher rate of Rs. 28 per 100 cft. The further extra expenditure thus incurred (compared to the rate of the original contractor) amounted to Rs. 21,600. Had the quantity of work been estimated properly, this extra expenditure could have been avoided.

7.17. The Committee desired to know whether the excess of rock blasting over the estimate did not indicate that the testing of rock level by bore holes was inadequate. The Chairman, Kerala State Electricity Board informed the Committee that for levelling of site for the power house and transformer yard, bore holes at certain points at the corner were taken and not in the middle and it was inadequate to that extent. It would have been very costly if all the bore holes had been taken to find out the actual rock levels, so bore holes at the corners were taken and assessments were made on that basis. On being asked about the justification for enhancement of the rate from Rs. 19 to Rs. 25 per unit, the witness stated that the variation was very wide. The Board thought of having a 10% stipulation and it was stipulated to stick to that rate up to 10% of the work and for the work above that the enhanced rate might be given. On being asked as to why such a clause was put down in the agreement when the Board did not stick to it, the witness stated that it had been pointed out to the Chief Engineer and in the subsequent contracts it had been put down that the work might vary up to 10% on either side. In reply to a question, the witness stated that in all the previous contracts "the clause of wide variation was not added without specifying the 10%." But in the present case, the variations were so wide that the Board had considered the question and limited it to the usual variation. In reply to a question, the Secretary, Public Works stated that there was the clause about wide variations in most of the contracts and probably, this was the first contract in which it was tested. The contractor had represented and Board had then considered it and thought that it was good to have a fair clause and that a limit of about 10% might be fixed and on that basis the Board had made the extra payment. In reply to a question, the Chairman, Kerala
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State Electricity Board stated that there were two tenderers in this case.

7.18. The Committee desired to know whether the extra expenditure incurred as a result of the failure of the original contractor to complete the work within the time, had been recovered from the original contractor invoking the penal provision of the contract. The Chairman, Kerala State Electricity Board informed the Committee that the amount had not been recovered from the contractor and added that since the contractor had done more than the desired quantity, the Board thought that it was not equitable to invoke the penal clause.

7.19. The Committee are surprised to note that despite a specific provision in the agreement that the quantity to be executed was only approximate and were liable to vary widely in actual execution and the rates quoted for each item should hold good irrespective of the quantity, the contractor was allowed enhanced rate for quantities of rock blasting beyond 110 per cent of the quantity specified in the agreement which resulted in extra expenditure of Rs. 16,128.

7.20. The Committee find no justification for providing a clause in the agreement which was not acted upon. In their view there was no special reason for inserting such a clause of wide variation when normally the clause relating to variation up to 10 per cent only was inserted in contracts if there was no intention to implement it.

VIII

PUBLIC WORKS DEPARTMENT

Avoidable/extra expenditure, para 40, pp. 51—53 (Audit Report, 1964).

8.1. Four cases involving avoidable/extra expenditure aggregating Rs. 1.33 lakhs are summarised below:—

Name of work	Particulars of avoidable/ extra expenditure	Remarks of Govern- ment/Department
1	2	3
<p>(a) Remodelling right-bank main canal of the Chalakudy Irrigation Project—Estimated cost: Rs. 2·83 lakhs.</p>	<p>The Superintending Engineer rejected the lowest tender (Rs. 1·79 lakhs) obtained in April, 1958 on the following grounds:—</p> <p>(i) The rates quoted by the contractor for two main items of work (52·8 per cent and 16·87 per cent below estimated rates) were unworkable.</p> <p>(ii) Maximum progress could not be ensured before the beginning of monsoon in June, 1958.</p> <p>The Superintending Engineer accepted the second lowest tender (Rs. 2·10 lakhs) even though the rates quoted for the 2 items of work were also below the estimated rates by 31 per cent and 10·93 per cent respectively. The work was actually completed by the selected tenderer</p>	<p>The reply of Government to whom the matter was reported in October, 1962 is still awaited (April, 1964).</p>

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only in July, 1960 i.e.
1 1/2 years after the
target date viz., January,
1959.

The extra expenditure
compared with the
original tender of April,
1958 amounted to
Rs.34, 912.

The Committee desired to know whether the working capacity and experience of the tenderers were enquired into before the higher tender was accepted. The Secretary, Public Works Department informed the Committee that the lower tenderer was a fresh man but the Department had no information adverse or in favour of him. On being pointed out that the Department had entered into some contracts with the lowest tenderer before also, the witness stated that some major work was given to him and that was under progress. In reply to a question the Chief Engineer (G&I) stated that the work awarded to that tenderer was not of an urgent nature. It was not as urgent as the remodelling work. In reply to another question, the witness stated that the second contractor to whom the work was given did not finish the work but he had done a good deal of work during 2 seasons. The progress of work was slow in the case of the first contractor. The Committee desired to know the basis on which the lowest tender was rejected. The Secretary stated that the rates quoted by the lowest tenderer were very much lower than the estimated rate. The Department thought that the rates were unrealistic and the contractor would never be able to work at that rate. At the same time any work of the contractor was also not proved and tested by the Department. So in good faith, the work was awarded to the second contractor. He also delayed the work beyond the expected date of completion. That position could not be anticipated in the very beginning.

8.2. In reply to a question, the witness stated that the lower quotation was due to the inexperience of the contractor. When the Committee pointed out that the lowest tenderer had already been awarded some major work and he was not a fresh man, the Secretary stated that the Department had nothing against the contractor. In the first case, he was given a contract and the Department thought that his capacity was only that much.

When the Committee pointed out that estimates of the Department might have been on the higher side, the witness stated that the estimates were based on the current schedule of rates and those were fairly correct and realistic. On being pointed out that additional security should have been taken from the contractor if the rates were found unworkable, the Secretary stated that the main point was to get the work done. It would have been possible to award the work to the contractor against additional security, but in that case it was just possible that the essential purpose of getting the work done might have been defeated. In reply to a question, the witness stated that the total estimated cost of the work was Rs. 2,75,000. In answer to another question, the Chief Engineer (G & I) stated that the estimated rate per unit of rock blasting was Rs. 21.17. The lowest tender was Rs. 10 and the accepted tender was Rs. 14.50. The highest rate quoted in the tender was Rs. 22. On being pointed out that the estimated rate was Rs. 21.17 and the Deptt. had accepted the tender for Rs. 14.50 and to that extent the estimates of the Department were unrealistic, the Secretary admitted that the estimates were slightly higher.

8.3. The Committee desired to know whether there were any cases, where the Department had rejected the lowest tender. The witness stated that there were quite a few cases like this in the P.W.D. in the past, but now-a-days they did not reject lowest tenders.

8.4. The Committee desired to be furnished with a list of cases where lowest tenders were rejected on the grounds of unrealistic rates. This information has been furnished and is at Appendix L.

8.5. From the statement the Committee find that the justification for rejecting the lowest tenders in these cases on the ground of their rates being unrealistic vis-a-vis the estimated rates is not borne out. It is clear that in all these cases except S. No. 1, although there was not much difference in the rates quoted by the lowest and the second lowest tenderer (whose quotations were accepted), the difference between the estimated rate and the accepted rate was very great indeed. The accepted rates were lower by more than 50 per cent in some cases and in other cases the accepted rates were substantially lower. This only indicates, in the opinion of the Committee, that the estimated rates themselves are too high, and also that this argument of unrealistic rate is used only to give the contract to a higher tenderer by ignoring the claims of the lowest tenderer.

8.6. The Accountant General informed the Committee that the estimated rate was Rs. 22.14 which was revised to Rs. 21.17 by the Chief Engineer. The Secretary stated that the original estimate was drawn up by the Executive Engineer and the technical sanction for that had to be given by the Chief Engineer. The figure was scrutinised at the time of technical sanction. In reply to a question, the Chief Engineer (G&I) stated that it was a fact that the Executive Engineer had recommended that the work should be entrusted to the lowest tenderer. But the Superintending Engineer had suggested that the lowest tenderer would not be able to do the work and had therefore recommended the second lowest tenderer. In answer to a question the witness admitted that there was no other justification for rejecting the lowest tender except the fear that he would not be able to complete the work because his rates were unworkable.

8.7. The Committee have been furnished with further information on the rates for the rock blasting prevalent in the last three years (Appendix LI).

8.8. The Committee are not convinced with the arguments advanced for rejecting the lower offer in this case. The lowest tenderer was not a fresh man as he had already been given a major work by the Department. The officers' fear that he did not have the capacity to do this work was not based on any ground or experience. The plea of urgency is also not tenable as the work was completed 18 months after the target date i.e., January, 1959. Besides, the Committee are not at all impressed by the argument that the rates quoted by the tenderer were unrealistic. The fact that the accepted rates of the next higher tenderer were also lower by about 31 per cent than the estimated rates shows that the estimated rates of the Deptt. were very high. The Committee find from the statement (Appendix LI) regarding rates for rock blasting done in the last three years, except in one case the rates quoted have been lower than the estimated rates and in some cases the rates were substantially lower. This fact also confirms that the estimated rates were on the higher side. The Committee feel therefore that the rejection of the lowest tender, resulting in an extra expenditure of Rs. 34,912 lacked justification. The Committee, therefore, desire that a proper inquiry should be held and responsibility fixed for this avoidable extra expenditure of Rs. 34,912. The question of fixing the estimated rates in a realistic manner should also be examined.

(b) Supply of tubular trusses for the construction of semi-permanent school buildings in Buildings and Roads Division, Calicut.

Cost: Rs. 1.75 lakhs.

A firm in Madras with whom the Executive Engineer placed an order in July, 1961 failed to supply even 50 per cent quantity by the extended target date, *Viz.*, 15th January, 1962 (original date—30th September, 1961). Fresh quotations were then invited, (February, 1962) and orders placed with a firm at Calcutta at an extra cost of Rs. 18,900. As the department did not cancel the orders with the original supplier it had to accept their supplies as well. The latter firm completed their supplies only in December, 1962 and extra expenditure was not therefore justified.

The matter was reported to Government in January, 1963 and their reply is awaited (April, 1964).

8.9. The Committee desired to know the circumstances under which the Department did not cancel the order placed with the first contractor who could not provide the material in time. The Secretary stated that in this case, as it was seen from the records, there was definitely a case of mistake on the part of the Executive Engineer. He had failed to assess the requirements correctly and the only reason as to why he did not cancel the original order was that he thought that he would have future requirements for these tubular trusses and did not want to lose the benefit of the lower rates. In actual effect the utilisation did not keep pace with what the Executive Engineer had in view and there was thus a clear mistake on the part of the Executive Engineer. On being asked about the action taken against the officer, the witness stated that the Department thought that the officer was only overzealous and there was no culpable mistake committed by him. In reply to a question, the witness stated that the Superintending Engineer had reported that in view of the original programme envisaged, the Executive Engineer had justified his case. The witness further added that the comments of the officer were called for but disciplinary proceedings were not taken against him. In reply to a question, the witness stated that the officer had stated that there was delay in the delivery and he did it on good faith. When the Department checked up the material, it was found that those were not fully utilised.

8.10. The Committee desired to know whether the excess material had since been utilised. The witness stated that it had been partly utilised. In reply to a question the Chief Engineer (G&I) stated that the first firm was asked to supply before 15-1-1962. As it could not supply 50 per cent of trusses within the prescribed time, another firm was asked to supply the balance of trusses. The Secretary stated that large quantities of these had remained unutilised since 1962 till now.

8.11. The Committee feel unhappy to note that large quantities of trusses had remained unutilised since 1962 till now. The Committee hope that the Department will learn from experience and take steps to avoid the recurrence of such cases.

8.12. The Committee would also like the Department to explore the possibility of utilising the trusses as early as possible.

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| <p>(c) Constructing the 4th mile main channel in the Periyar Valley Irrigation Project—Blasting and removing granite sheet rock.</p> | <p>The work was allotted to a contractor who had quoted a rate of Rs. 25 per 100 cft. limited to a maximum payment of Rs. 16,000, but in the agreement executed with him in February, 1959 the quantity was specified incorrectly as 12,500 cft. instead of 1,25,000 cft. and the words 'limited to Rs. 16,000' were also omitted. As a result of these omissions, the contractor had to be paid for the entire quantity of 1,12,461 cft. executed by him, at his quoted rate without restricting the payment to Rs. 16,000; this entailed an extra payment of Rs. 7,717.</p> | <p>The matter was reported to Government in August, 1960 and their final reply is awaited (April, 1964).</p> |
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8.13. Explaining the position, the Secretary, Public Works Deptt. informed the Committee that the original estimate prepared by the Executive Engineer of the Division had provided only for 12,500 cft. of work. There was a mistake in the tender which was issued where it was shown as 1,12,500 cft. When the tenders were tabulated, the Executive Engineer and the Deptt. had realised that the actual amount according to the estimates was only 12,500 cft. The Depart-

ment had no information available at that time with the Executive Engineer that the actual quantity was likely to increase upto 1,25,000 cft. The increase had taken place during the course of execution of the work. At that time, the Deptt. could have forced the contractor to include the limitation to Rs. 16,000. Later on, agreement and letters were exchanged between the contractor and the Executive Engineer and they did not make any mention of this fact of increase in the quantity of work. On being asked the basis on which the Executive Engineer estimated the work at 12,500 cft., the witness stated that it was a case in which blasting and removing granite sheet rock was done. At certain places rock had appeared and at certain places it did not appear. The Chief Engineer (G&I) further added that out of the 1,25,000 cft., 1½ per cent of the earth work was rock. In that reach there was no boring taken for fixing the quantities.

8.14. The Committee fail to understand how the estimate of the work was made at 12,500 cft. by the Executive Engineer when in actual working the quantity was 1,12,461 cft. The Committee would like the Deptt. to issue strict instructions to the officers concerned to be very carefull in checking the figures etc. relating to tenders and contract documents.

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| <p>(d) Constructing 18 groyness — Irrigation Division Al-laphey Estimated Cost: Rs. 4.20 lakhs.</p> | <p>Administrative sanction for the work was accorded by Government in July, 1960. The work was split up by the Chief Engineer, Irrigation and tenders were invited separately by the Executive Engineer for construction of 5 greynes in September, 1950 and for the remaining 13 greynes in December, 1960. The lowest tender in the former case was 17.5 per cent less than the estimated amount and the only tender received in the latter case was 8 per cent above the estimated amount and both these</p> | <p>The case was reported to Government in January, 1963 and their reply is awaited (April, 1964).</p> |
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were accepted. The acceptance of the second tender resulted in an extra expenditure amounting to Rs. 71,565.

The department contended that the work was split up so as to limit the expenditure during 1960-61 to the budget provision available for that year. Actually, the expenditure incurred during the year on both parts of the work was not even 50 per cent of the final allotment for the work (Rs. 1.50 lakhs).

8.15. The Committee desired to know the amount that was sanctioned and the actual expenditure that was incurred on the work. The Chief Engineer (G. & I.) informed the Committee that the original sanctioned amount was Rs. 1.50 lakhs and the actual expenditure incurred on the work was Rs. 64,000. In reply to a question, the witness stated that it was correct that audit was informed that the work was split up into two parts because of paucity of funds and in order to keep within the limits of budget estimates. On being asked as to how it had affected the budget provision, the Secretary stated that in this case the estimate was for Rs. 4.20 lakhs but the amount that was available in the budget was only Rs. 1 lakh. As far as anti-sea erosion work was concerned, it was found that the department did not get the money that was required for all the work. The witness added that there were many works and if all these works were included in the estimates, the figures would have come to a very big amount. Therefore, it was necessary to limit the expenditure to the budget provision that was available. So in the sanction order issued, it was stated that the expenditure should be met from the budget provision of Rs. 1 lakh provided for in 1960-61. The Chief Engineer at that time thought that it would be better if construction of about 18 groynes for which the estimate came to Rs. 4.20 lakhs could be taken up but he had to limit the work to the budget provision. Hence, the construction of only 5 or 6 groynes were taken up in the first instance. On being pointed out that the

construction of all the groyne were entrusted in the same year the witness stated that in December it was found that progress was very slow. The Chief Engineer had felt that he would not be able to spend even the budgeted amount except by giving the rest of the work to another contractor. In reply to a question, the Chief Engineer (G. & I.) stated that the time limit was given in the first contract. In reply to another question, the Secretary stated that the quoted rates went up by 25 per cent during the period of 2 to 3 months. On being asked about the justification for payment of 25 per cent more, the Chief Engineer (G. & I.) stated that the rates were violently fluctuating during that period and there were different rates obtaining at different places.

The Committee desired to know whether the Department satisfied itself that the rates had actually gone up by 25 per cent before the amount was sanctioned. The Chief Engineer (G. & I.) replied in the affirmative and added that the rates were based on tenders. In reply to a question the Secretary stated that in the second case, the tender was given by only one person. In answer to another question, the witness stated that the contractor who was already doing the work at 17.5 per cent below the estimated amount was not asked whether he was prepared to take up more work. The Department thought that the contractor might ask for more because it was quite possible that he would have taken advantage of the high rates. The contractor also knew that the Department had only this quotation which was 8 per cent above the estimate and would have surely taken advantage of that rate. In answer to another question, the witness stated that the Department did not negotiate with the contractor and did not think about it at all at that time.

8.17. The Committee find no justification for allotting the second construction work for 13 groyne, at rates 8 per cent above the estimated rates, without first ascertaining from the first contractor (who was doing the same type of work at 17.5 per cent below the estimated rates) whether he was prepared to take up the work and what his rates were. As the time lag between the dates for inviting the tenders was only three months, the Committee are doubtful whether such a sharp increase in rates (about 33 per cent) within such a short time is justified. Moreover, the Committee find that in several cases dealt with in previous paragraphs, the rates quoted had almost invariably been much lower than the estimated rates. Therefore, when the contractor quoted rates which were 8 per cent higher

than the estimated rates, the Department should have tried to negotiate with the first contractor. Alternatively, if the work was not split up, it is likely that the whole work might have been completed at a cheaper cost and extra expenditure of Rs. 71,565 could have been avoided. The Committee hope that such cases of splitting up the sanctioned works, resulting in extra expenditure would be scrupulously avoided in future.

Nugatory expenditure, para 42, pp. 54-55 (Audit Report, 1944):

8.18. The work of raising a low-lying portion of the main Central Road estimated to cost Rs. 3.90 lakhs (Original estimate of March, 1961; Rs. 0.99 lakh) was allotted to the only tenderer in January, 1962 for Rs. 2.83 lakhs. In December, 1962 while the work was still in progress, extensive damages occurred to a portion of the road surface. The Chief Engineer and other Officers who had made detailed inspection of the site were reported to be of the view that the sudden foundation failure was due to the insufficient bearing capacity of the supporting soil. The contract was terminated and the damaged portion of the work (cost Rs. 38,884) was dismantled departmentally in April, 1963 at a cost of Rs. 8,213 resulting in a total nugatory expenditure of Rs. 31,856 after taking credit for salvaged materials of the value of Rs. 15,241.

8.19. The estimate for the work was subsequently revised in March, 1963 to Rs. 5.18 lakhs making provision for rectification of the damage and reforming the road with suitable protective works. In September, 1963 Government stated that the factors which necessitated revision of the estimates appeared not unforeseeable and that there would have been no case for such revision if the original estimate had been prepared after proper investigation and taking all factors into account.

8.20. Explaining the background of the case, the Secretary stated that a particular stretch of the road came very near Kottayam town. Both ends of this particular stretch of the road were low and were subject to floods. There were embankments (very short length) on both sides of the road which were 20 to 22 ft. high and when it was decided that it would be raised by 4 ft. the Deptt. thought that the same soil conditions which had prevailed immediately to the South and North would prevail and that was the reason as to why no investigations were made. When the Committee drew the attention of the witness to the Audit Report wherein it had been stated that the Department had already accepted that no proper investigations were

made, the witness stated that the justification of the Chief Engineer was that he had no data on the basis of which he could even have thought of such a difference in the sub-soil strata. The Chief Engineer had justified in that way and the Department had not accepted it. In reply to a question, the Secretary stated that investigation could have been made. The Chief Engineer was at fault for not making proper investigation.

8.21. In regard to the revision of estimates, the Chief Engineer (B. & R.) stated that the estimate of Rs. 99,000 was made before the floods which had occurred in 1958. The existing formation after the floods had to be raised still higher. In reply to a question, the Chief Engineer (B. & R.) stated that originally the construction of the road was not carried out in a defective manner. He added that the road was from North to South and there was paddy field from East to West. The foundation did not give way when water overflowed. But when "the stationary water was pumped out, the counterweight on which it was acting due to water, was not there. So the foundation gave way."

8.22. When the Committee pointed out that the draft audit para was sent to Government on the 17th September, 1963 and no reply had been sent to audit so far, the Secretary admitted that in respect of replies to audit there had been cases of very long delay. Sometimes the audit para was sent to the lower division whose work might have been taken over by another division. It had not yet been realised by the Executive Engineers that they were only expected to verify facts and not to defend. Instructions have been given and efforts were being made to improve the situation.

8.23. The Committee regret to note that proper investigations had not been made originally when estimates were made and therefore it had to be revised from Rs. 3.90 lakhs to Rs. 5.18 lakhs. The Committee feel that it is absolutely necessary in contracts of this nature that all factors are taken into consideration while preparing the estimates and a thorough investigation, including tests, carried out before estimates etc. are prepared.

8.24. As regards the abnormal delay in replying to audit paras, the Committee deprecate the tendency to treat them in a routine manner. In order to avoid such delays, the Committee suggest that each Department might consider the feasibility of nominating a senior officer to deal with audit paras/draft paragraphs expeditiously.

Loss of stores, para 46, pp. 60—62 (Audit Report, 1964).

I. Public Works Department

- (a) Shortages of materials like cement, M.S. rods, etc. costing Rs. 3.49 lakhs in the Bridges Division, Alwaye were noticed during the physical verification of stores, conducted at the instance of Audit in May-June, 1959 and at the time of handing over of charge by the storekeeper in May, 1960.
- The shortages were rendered possible mainly due to the following factors :—
- (i) non-accounting of materials received in the division ;
 - (ii) issue to other divisions on loan basis without proper exchange of invoices;
 - (iii) issues without supporting issue notes or acknowledgements ;
 - (iv) absence of proper control over issue of materials to work ; and
 - (v) absence of periodical physical verification of stock.

The store-keeper was placed under suspension. Intimation regarding further action taken in the matter is awaited.

The physical verification report for the period 1st June, 1960 to 25th May, 1963 received from the Chief Engineer in September, 1963 indicated that the same irregularities continued to exist and a further shortage of materials valued at Rs. 23,808 came to notice. One of the two store-keepers who worked during the period from 1st June, 1960 to 2nd December, 1962 has been placed under suspension. Report regarding the further action taken in the matter is awaited (April, 1964).

- (b) Shortage of materials like cement, bitumen, M. S. rods and G. I. sheets costing Rs. 2.01 lakhs was noticed during physical verification of stores in Buildings and Roads Division, Muvattupuzha conducted in April-May, 1962.
- The shortages were rendered possible mainly due to the following factors—
- (i) non-accountal of materials received;
 - (ii) maintenance of both the quantity and value accounts by the store-keeper and non-reconciliation of these two accounts periodically ;
 - (iii) unauthorised corrections in ledger balances ; and
 - (iv) failure to watch the return of issue notes, duly acknowledged.

One of the two store-keepers has been placed under suspension. The case is reported to be under police investigation (February, 1964).

- (c) Shortage of timber and other stores costing about Rs. 1.92 lakhs was noticed in the Government Engineering Workshops, Trivandrum, during physical verification of stores in the timber and other sections conducted from June, 1960 to October, 1960 and November, 1960 to June, 1961 respectively.
- A special audit has been arranged (November, 1963) by Government to find out the nature and extent of the loss and to fix responsibility for the shortage. Further report is awaited (February, 1964).

* * * * *

8.26. The Committee desired to know whether the police enquiry in respect of cases mentioned in sub-paras (a) and (b) had been completed. The Secretary stated that the police enquiry had not been completed. The Committee have been furnished with a note indicating the dates when the cases were reported to the police (Appendix LII).

8.27. The Committee pointed out that in Alwaye there was a shortage of Rs. 3.49 lakhs. The Department had transferred the store-keeper after May, 1960 from Alwaye to Muvattupuzha and there was also a shortage in that depot (Muvattupuzha). The Secretary stated that the store-keeper had been held responsible for the shortage in both the divisions. He was transferred from the first depot and from the second he was suspended. The Chief Engineer (B. & R.) stated that the deficiency was found out only after the new store-keeper took over charge. The Chief Engineer (G. & I.) added that the new store-keeper who took over charge had verified the stores. It was then investigated by the Department. In answer to a question, the Secretary admitted that if the Department had taken action immediately to suspend the store-keeper the Deptt. might possibly have saved Rs. 2 lakhs. The Chief Engineer (B. & R.), however, stated that the Department was not sure in the first instance whether it was actually a defalcation. The Department had to see whether there were any entries which were omitted to be posted. On being asked about the present position, the Secretary stated that the Store-keeper was still absconding. The Police Department under the Directorate of Vigilance Investigation had registered 2 cases against him. Further action could be taken only after the accused is apprehended.

8.28. The Committee desired to know whether any explanation was called for from the Supervisory staff. The Secretary stated that the Department had ordered an enquiry into the nature of the actual

liability of the Supervisory staff. The Superintending Engineer who had to conduct the inquiry was handicapped because most of the records were with another Branch (X Branch). In reply to a question, the witness stated that the inquiry was ordered on 22nd January, 1965. On being asked about the reasons for the delay of over five years, the witness stated that there was a difference of opinion as to whether the inquiry under the Classification, Control and Appeal Rules could also be conducted at the same time when the police proceedings were pending against the officer. The matter was discussed with the Home Department who finally advised that the inquiry could be taken up concurrently. On being asked as to why it took five years to settle the difference, the witness stated that originally the question of liability of the Supervisory officers was not considered. Only after the special Audit Report, the Department took action in regard to the liability of the supervisory officers. The Committee pointed out that it was a fact that there was shortage of stores which did not come to light as a result of supervision by the supervisory staff which indicates that the supervisory staff were not functioning properly or the system itself was defective. The witness admitted that it appeared that there were some defects in the system. On being asked about the other store-keeper, the witness stated that the other man had not absconded and he was available.

8.29. The Committee are not convinced of the reasons advanced for the delay of about five years in coming to a decision as to how the inquiry was to be conducted. The Committee need hardly emphasise that such unconscionable delays in taking disciplinary action against delinquent officials not only nullify the purpose in view but also may result in the guilty escaping punishment. It is, therefore, desirable that disciplinary action, to be effective, must be prompt.

8.30. The Committee find from the note furnished (Appendix LII) that the cases were referred to Police on 4th June, 1962, 25th March, 1963, 24th April, 1963 and 6th March, 1965. But the cases have not yet been finalised. The Committee desire that the progress of these cases should be closely followed and finalisation of the same should be expedited.

8.31. As regards failure of the supervisory staff to find out the shortages, the Committee would like the present system to be examined so as to tighten control and plug loopholes.

8.32. On being asked as to how only store-keepers were held guilty, the witness stated that the store was entirely under the charge of

the store keeper and he was the only person who was responsible for accounting, issues etc. In reply to a question, the witness stated that there was no indication that any other person was involved. In reply to another question, the witness stated that the store keepers had not yet been given the charge sheet and they were under suspension for the past three years receiving only half salary.

8.33. The Committee drew the attention of the witness to the Audit Report and pointed out that the shortage of stores was noticed even earlier during the physical verification of stores conducted at the instance of Audit in May-June, 1959 and not only at the time of handing over charge in May, 1960. The Secretary added that actual date was not available.

8.34. The Committee desired to know whether any enquiry was conducted after the shortage was detected. The witness stated that the Deptt. did make an enquiry and had looked into the stocks etc. In all those cases, the transactions shown were upto 1960 and the special audit report also had referred to 1960. In answer to a question, the Accountant General informed the Committee that the shortage was pointed out to the Department in 1959 and a reply was received.

8.35. The Committee drew the attention of the witness to the Audit para and pointed out that the shortage was first detected in 1959 and not in 1960 and enquired as to how it was not known to the Secretary, Chief Engineer or to any other officer.

8.36. In reply to a question, the witness stated that the stores were periodically verified. When the Committee drew the attention of the witness to the reasons for shortage in stores given in the Audit Report, the witness stated that the primary reason was absence of annual verification of stock. There were standing instructions that all the officers in charge of stores should see that annual verification was done without fail. Usually, verification was done by other officers deputed from nearby divisions who verified and certified the correctness of the stock etc. These instructions had again been brought to the notice of the Deptts. and steps had been taken now to see that verification was being done.

8.37. In this case, the Committee feel perturbed to find that there had been serious lapses on the control over staff and failure to take action in time to take remedial action, which resulted in shortage of stores amounting to Rs. 5.74 lakhs (total of amounts involved in cases (a) and (b) of Audit Report).

8.38. It is surprising that the store keeper who was found responsible for deficiencies was transferred to another store, without any action being taken against him, thus enabling him to carry on his activities in the second store where a shortage of another Rs. 2.01 lakhs of materials occurred. This person was placed under suspension only thereafter. In the opinion of the Committee, much of the shortages could have been avoided if Government had taken serious notice of the shortage disclosed in the verification of stores conducted in May-June, 1959 at the instance of Audit. The shortages in the second division could also have been avoided if on the finding out of shortages in the first store, action was initiated against the store-keeper concerned. Failure of the administration to take proper action and the failure to take serious notice of shortages disclosed during physical verification are serious lapses of which due note should be taken and responsibility fixed.

8.39. The Committee desired to know from the Finance Secretary the procedure followed in Kerala after the Audit Reports were presented to Legislature and before the Reports were taken up for consideration by the Public Accounts Committee. The Finance Secretary informed the Committee that the general instructions were that when draft paras were received by the Heads of Departments or Secretaries of the Government, action was initiated for verification of the same. After verifying the correctness of the statements a report was sent to the Accountant General stating the factual position. Instructions had been issued to all the Departments to the effect that the time limit of six weeks should be strictly adhered to. While examining the correctness of the audit para, the P.W. Department sent it to the Chief Engineer from whom it went to the Superintending Engineer, Executive Engineer, Assistant Engineer and sometimes to the Junior Engineer incharge of the work. Due to the passage through all these channels, it would take some time for getting the replies. The witness however admitted that the time taken in all these cases was too much.

8.40. The Committee desire the Finance Department to issue instructions, if not already done, that immediately after the Audit Reports are placed before the Legislature, these should be promptly examined by the Departments concerned to see what remedial or preventive steps are called for and such steps should be initiated without delay.

8.41. The Committee drew the attention of the witness to the recommendation of the State Public Accounts Committee (1963-64) wherein they had urged that the Government should appoint only

Technically qualified hands to be in charge of stores and arrange surprise inspection of the various Departmental stores being conducted by a separate body of special staff under the Finance Department and review the work periodically. The Secretary, Public Works Department informed the Committee that on the basis of the recommendation, certain additional staff had been appointed for store verification. Staff had not been appointed under the Finance Department but they have been appointed in each circle of the P.W.D. There were now six sub-divisions working on store verification. The necessity of posting better qualified staff and the necessity of cross-checking of entries and issues had been discussed with the Chief Engineer. There were also certain proposals for the appointment of Junior Engineer in charge of stores, but there was some difficulty because the Junior Engineers were not happy about going to stores which develops great responsibility upon them. On being asked about the surprise inspection by the officers of the Finance Department the witness stated that the surprise checks were also to be done by the verification sub-division which consisted of an Assistant Engineer and a Divisional Accountant.

8.42. In regard to the special staff for verification of stores under Finance Department, the Finance Secretary stated that most of the materials were technical and a Finance Department officer would have difficulty in identifying them. In answer to another question, the witness stated that there was a small inspection wing in the Finance Department which had been entrusted with the responsibility of supervising files and registers relating to accounts, stores and other allied matters. There was also physical verification of cash and stores wherever necessary. It was a small unit formed in October, 1964 and it had not been possible to check up all the stores.

8.43. The witness promised to re-examine the question as to whether the staff should be under Finance Department or P.W.D.

8.44 The Committee would like to reiterate the recommendation contained in Section 4. item (ii) (page 34) of the Kerala Public Accounts Committee's 1st Report (1963-64) that Government should appoint only technically qualified hands to be in charge of stores and also arrange surprise inspections of the various Departmental stores being conducted by a separate body of special staff under the Finance Department and review the work periodically.

8.45 In addition annual verification of stores by the Departments themselves as laid down in the rules should be insisted upon so that discrepancies could be brought out in time and rectified.

Sub-para (c)

8.46. In regard to the loss of stores costing about Rs. 1.92 lakhs in the Government Engineering Workshop, Trivandrum, the Secretary, Public Works Department informed the Committee that actually the amount was very much less and the actual deficiency was of Rs. 24,000. On being asked whether any responsibility had been fixed, the witness stated that one of the Superintendents had been compulsorily retired. The foreman and others of the workshop who were involved in the case were being dealt with. In reply to a question, the witness stated that the special audit was under the department and some officers from the Accountant General's office were taken on loan.

8.47. The Committee note with regret that in this case also although the shortages were noticed in 1960 and 1961, special audit was arranged only by the Department in November, 1963 and disciplinary action was initiated thereafter. The Committee would again point out that delay in such matters create unnecessary complications and mostly defeat the purpose.

Loss of stores, para 46, pp. 60—62 (Audit Report, 1964).

III. Public Works and Public Health Engineering Departments:

8.48.

<p>(F) Issue of steel, cement bags, etc., on loan basis to an outsider (Rs. 24,464).</p>	<p>An outsider allegedly impersonating himself as the Asstt. Director of the Atomic Energy Commission, Field Survey Unit, Cannanore, obtained a certain quantity of cement M. S. rods, etc., on loan basis from three Public Works Divisions and one Public Health Engineering Division during the period October, 1962 to January, 1963. The case is under police investigation.</p>
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In regard to the unauthorised issues from the Public Works Divisions, Government stated in January, 1964 that the explanation of the officers involved in the fraudulent transactions had been obtained and that further action has been deferred till the investigation by the police was completed. As regards the unauthorised issues from the Public Health Engineering Division, the remarks of Government are awaited (February, 1964).

8.49. The Committee desired to know the circumstances under which an outsider allegedly impersonated himself as the Assistant Director of the Atomic Energy Commission. The Chief Engineer (G & I) informed the Committee that he was one of those, who were cheated. The outsider went to his office and sent a printed card giving the address as 'Care of Collector, Cannanore'. The outsider had asked for a loan of cement and G.I. sheets. He had stated that he was carrying out some experiment in Cannanore District on Atomic Minerals and he wanted the materials for a short period. The outsider was informed that the materials might be issued on loan and the sanction order be got ratified by the Government. The stores were given by the Executive Engineer. The materials were not returned for a long time. The Deptt. went on reminding him. After two or three months' time, a newspaper report was seen about the fraud committed by the outsider impersonating and taking loans. Immediately, the matter was reported to the police. In reply to a question the Chief Engineer (G&I) admitted that it was only through the press report that he had come to know that the outsider was a fraudulent person. The witness stated that it was the only case where he was cheated and somehow it did not occur to him to suspect the outsider. On being asked whether the Government could part with their property without a definite procedure, the Chief Engineer (G&I) admitted that there was a deviation from the normal system in this particular case. On being asked the reason for such a deviation, the witness stated that somehow there was no suspicion about the outsider. On being pointed out that certain procedure should have been followed, the witness stated that the procedure was to get the sanction for issuing those materials on loan. The witness added that he had similar occasions to give certain things to Universities and other private institutions in anticipation of the sanction.

8.50. On being asked whether there was any defect in the system that was in vogue the Secretary explained that the Chief Engineer should not normally issue anything on loan but he should write to the Government for issue of sanction. In the present case the suspicion about the man's identity was not raised in the mind of the Chief Engineer. In reply to a question, the witness admitted that even if the Chief Engineer had followed the system that had been laid down, such a thing could have happened. On being pointed out that in that case such things could be repeated, the witness stated that the Department had become wiser after this event.

8.51. The Committee desired to know whether the system had been changed. The Secretary agreed that unless the system was changed and some safeguards were provided, such things could happen again and again.

8.52. On being asked whether or not the particulars of the truck in which the stores were taken out were noted, the Chief Engineer (C&I) stated that the number of the truck was not noted, but a receipt was taken from the person concerned.

8.53. The Committee desired to know as to the number of occasions on which the stores were taken by the person between October, 1962 and January, 1963. The Secretary stated that this person took stores from the Public Health Engineering Division, Calicut, Store Division, Trivandrum and from Calicut and Cannanore divisions. On being asked whether he took stores from various stores on several occasions with one authorisation from the Chief Engineer, the witness stated that the authorisation from the Chief Engineer was not for all the Divisions. The witness stated that the person went from one place to another and had duped four or five officers. After leaving Trivandrum, he went to Madurai and had duped the Madurai Municipality. The Inspector General of Police had stated that the person was an inter-state cheat and the I.G. of Police had not been able to detect him yet. On being asked about the stage of the police investigation, the witness stated that the Department had been told that the case was still under investigation.

8.54. On being asked as to how the letters addressed to the persons C/o Collector, Cannanore were not returned to the senders or taken delivery of by the person the Secretary stated that according to the person, he was of the field survey unit and that he had to come and collect the letters.

8.55. The Committee desired to know whether the Atomic Energy Commission were informed after the materials were given to him. The Secretary stated that the Atomic Energy Commission was not informed because the person had promised to return the materials in two or three months. Within that time, the Department did not know who was his superior officer or to whom the Department should write. The Secretary stated that the case could not be justified from the point of view of propriety or stores rules. All that could be said was that the person had cheated not only the Kerala Government but also the Madras Government.

8.56. On being asked about the dates on which the fraud was committed, the Chief Engineer (G&I) stated that the fraud was committed on 6th December 1962, 19th January 1963 and 9th February, 1963. In reply to a question, the witness stated that on 25th February, 1963, the Executive Engineer, Buildings and Roads Calicut had informed about this to District Collector, Cannanore. The letters addressed to the person were kept in the Collectorate and the Collector had asked the police to enquire about the person.

8.57. The Committee pointed out that the Executive Engineer could not have given the material on loan without the authorisation of the District Magistrate, Cannanore. The Secretary stated that the District Magistrate would have discussed the matter with the Executive Engineer, Cannanore. In reply to a question, the witness stated that before the person went to the Chief Engineer, he had already got a letter from the District Magistrate, Cannanore. He had introduced himself as an Assistant Director and had approached with a written request for the loan of M. S. Rods and C. G. sheets. The application was on printed letter heads. After personal discussion with the District Collector, the Executive Engineer had instructed the Junior Engineer to issue the required quantity on 5th November, 1962.

8.58. On being asked about the authority under which the District Magistrate had made the recommendation, the Finance Secretary stated that it was obviously an error on the part of the first officer who ought to have asked for the credentials of the person.

8.59. The Committee pointed out that the Government of Kerala had issued an order to recover 10 per cent of the loss from the Chief Engineer which was later waived and desired to know the circumstances under which it was done. The Secretary stated that originally the recovery of 10 per cent was ordered on the ground that the Chief Engineer and the officers concerned were at fault in not having veri-

fied the credentials properly. It was also thought that it might not be possible or correct to recover the whole amount from the officers concerned. Thereafter the officers had represented against the order and in view of the circumstances of the case in which the officers were really cheated, it was decided to write off the whole amount. On being asked about the grounds on which it was decided to waive the recovery of the amount, the witness stated that even in the first order it was stated that there was no *mala fides* on the part of the officers and they had been cheated. The Government took a lenient view of the matter and a token recovery of the 10 per cent was ordered.

8.60. In reply to a question, the witness read out the representation of the Chief Engineer, which was as follows:

"I have received the above Government Order and communicated the same to Shri..... and Shri....."

The Government have conceded that in the case under reference we were cheated by a clever imposter. This man was carrying on his activities in the garb of a Research Officer of the Atomic Energy Commission for several months in Cannanore District and the then Collector Shri....could not find him out, nor even entertain any suspicion. It is, therefore, that none of us who had only a few minutes personal talk with him could have any suspicion. To be cheated itself was a punishment in a sense; to be punished for being cheated in a case of this type is hard.

The irregularity committed by me and by the others was that I permitted the loan of M. S. rods and C. G. Sheets in anticipation of Government sanction. In the course of the execution of my duties and responsibilities as Chief Engineer I have very often to take decisions in anticipation of sanction. I have done this on many occasions and my actions have been invariably approved by Government. Hereafter also I may have to do likewise. To punish me for shouldering responsibility with the best of motive will be hard also.

I therefore request you kindly to have this matter reconsidered. I may be permitted to explain this in person to the Adviser."

8.61. The Committee desired to know whether the sanction of the Government was obtained by any officer after the Stores were given.

The Secretary stated that the stores were issued under the orders of the Chief Engineer and the others had not taken the sanction. By the time they began to think about it, the fraud had been committed. On being asked whether it was not the practice to obtain the sanction of the Government for any loan of materials the witness stated that the Chief Engineer should have taken steps to obtain the sanction.

8.62. In answer to a question, the witness stated that the Department was first cheated in November/December, 1962 and the Department came to know of this in February, 1963. It was reported to the police after about two months. The Committee pointed out that during this period, nobody took steps to regularise the case.

8.63. Explaining the background of the case, the Inspector General of Police informed the Committee that the District Magistrate had given a letter of introduction to the outsider who had called himself as the Asstt. Director of the Atomic Energy Commission working in a field unit. With the help of the introduction letter, he went to various people and had collected articles from them. In one of the earlier cases, which had happened in Cannanore, he took some articles and had returned the articles to the concerned people to create confidence in him and later he had given his address as 'Care Collector Cannanore'. It was only, when the Collector had noticed a publication in the Madras paper that a man who had called himself as an agent of the Atomic Energy Commission was wanted by the Madras Police, that the Collector had tried to find out as to who this man was and tried to get at him. When he was not located, the Collector had informed the police about the man and later on it was revealed that various offences were committed by this particular man. On being asked whether the Collector in any way had helped the man and whether there was any letter of authorisation from the District Magistrate, Cannanore, the Secretary, Public Works Department stated that he did not have any information on any of the file.

8.64. In reply to a question, the Inspector General of Police stated that the then Collector of Cannanore appeared to have written a series of letters to various authorities asking them to render assistance to this man. On 24th September 1962, this man wanted some materials from the Principal of Government Poly-technic, Cannanore and the Collector had written a letter endorsing the request of this man to supply the materials. Again on 10th October 1962, this man had met the Collector and wanted him to write a letter to the Chief Engineer (Electricity), Trivandrum requesting for M.S. Rods and C. G. Sheets etc., on loan and he had promised that he would return

all these materials when he got from DGS (South Section). Accordingly, a D.O. letter was sent to the Chief Engineer. This man had also wanted the Collector to recommend his request for some materials to the Executive Engineer (Electricity Division) Cannanore and the Collector had accordingly recommended his request over the telephone. There were three instances where letters were given recommending the request.

8.65. On being asked whether during the course of the investigation, a statement was taken from the then Collector as to the basis on which a letter was given to this man who ultimately turned out to be a cheat, the witness stated that there was a normal statement in which the then Collector had stated that he thought that he was an honest man and he was misled into giving the letter. The witness stated that the question as to how he was misled was not gone into in detail.

8.66. The Committee desired to know whether any explanation was called for by the Government from the then Collector of Cannanore in regard to the basis on which the letters were given by him. The Secretary, Public Works Department informed the Committee that as far as PWD was concerned there was no information on the files nor any mention that the articles were given on the recommendation of the Collector. Now that it had been brought to their notice, the Department would ask him to explain. On being asked whether during the course of the investigation, the Police Department had any occasion to suspect any complicity between the officer and this man, the Inspector General of Police stated that the letter of the then Collector was accepted on its face value. The investigations had now revealed that the then Collector had no malafide intention while giving a certificate and recommendation to this person and he was apparently misled. The Police Department had no evidence to doubt that there was anything wrong on the part of the then Collector.

8.67. In reply to a question, the witness stated that the investigation by the police was more on the lines of tracing the property which had been taken away by this person and to trace him and to prosecute him for the various offences that he had committed. In the course of such investigations, no material had come into possession to doubt the original premise that the then Collector had acted in good faith in issuing the recommendation. The witness further added in reply to a question that if at any stage anything incriminating was found, it would be reported to Government for taking any action as the Government might deem fit.

8.68. The Committee desired to know the terms of enquiry. The Inspector General of Police stated that the enquiry was started on a letter from the Collector complaining to the District Superintendent of the activities of this person. The Government did not come into the picture at that stage. The DSP had asked the Inspector to register an offence and investigate. When the CID had heard of this case and its ramifications they took up the case for investigation. On being asked about the stage of the enquiry, the witness stated that the property was not found and the person was absconding. There was enough evidence which would be recorded and kept till the person was found. The witness further stated that the person was a known criminal of Hassan District of Mysore State. The Deptt. had a photograph of this man. The photograph was shown to several witnesses who had identified him. His photograph had also been published in news papers.

8.69. On being asked whether the matter was referred to the Home Deptt. of the Government of Kerala, the Secretary Public Works Deptt. stated that only cases of corruption were referred to the Home Deptt. In the present case, the Deptt. did not think that there was any case of corruption. It looked as though it was a straight forward case and it had already been taken over by the Inspector-General of Police.

8.70. On being asked whether the fact that several letters introducing the person were written by the Collector did not raise any suspicion in the mind of the police and the police Deptt. did not think it necessary to refer the matter to the Government, the witness stated that the Government were aware of the case.

8.71. Explaining the case, the then Collector of Cannanore informed the Committee that he did not remember the case in detail because it had happened 2 or 3 years ago. The outsider went to his office and had represented that he was from the Atomic Energy Commission and had stated that he was the Asstt. Director. He had stated that some letters would come to him from Atomic Energy Commission and those should be handed over to him. The witness stated that it was not an out of the way procedure for any office. The office had received some letters and handed over those letters to him. The outsider once went to see the witness in his office and had stated that he was working on the Atomic Energy Commission on the Coastal lines. The witness further stated that sometime earlier, circulars were received from the Board of Revenue to the effect that Atomic Energy Commission was conducting a survey and those officers might approach for spirit permits etc., and they were to be assisted

whenever they approached for assistance. The outsider came to him and wanted some permits for asbestos etc. and the outsider was told that they did not issue permits and that he might contact some private merchants. Some private merchants went to his office and had attempted to help the outsider. The outsider had established a kind of bonafide in the district.

8.72. Again the outsider went to him and wanted some sheets and had stated that he had some permits but the stock was not available with the stockists. The witness had told the Executive Engineer that he might consider helping him and that was how the letter of recommendation came to be given.

8.73. On being asked whether the witness informed the Deptt. also besides informing the police after he came across the news item, the witness stated that he had informed the Deptt. and had also written a D.O. letter to the Chief Secretary.

8.74. On being asked whether any efforts were made to contact the outsider after the news items was seen, the witness stated that efforts were made to trace his movements.

8.75. In reply to a question, the witness stated that the Distt. Collector was not merely a magistrate, he was the person, who coordinated the work at the district level.

8.76. The Committee have hardly ever come across a case of such a peculiar nature where a criminal had successfully cheated responsible Government servants and had obtained Government stores, not once, but several times in different States.

8.77. The Committee had taken detailed evidence of all the officers involved in this case. It transpired that the person who cheated Government had posed as an Assistant Director of the Atomic Energy Commission, produced printed letter heads, secured the confidence of the District Magistrate, Cannanore and after obtaining letters from him succeeded in taking away, in transport, procured by himself, stores from Govt. Dept. with the approval of the Chief Engineer.

8.78. The Committee feel that there are several aspects of this case which reveal lacunae in procedure and practice that had facilitated the cheating, which can be summed up as follows:

- (i) There was no written intimation in advance from the Atomic Energy Authorities about rendering assistance to any of their officers in that particular area.

- (ii) In the absence of such an intimation complete reliance by the officer of the rank of a collector merely because of a printed letter head produced by the impostor is a strange thing.
- (iii) The then collector was perhaps too gullible in accepting the identity of a complete stranger and issuing letter of recommendation in his favour.
- (iv) Even though there was a letter of recommendation from the collector, Cannanore, the procedure for obtaining sanction for giving the material on loan should have been followed and not deviated from.
- (v) No action was taken to regularise the issue of the stores on loan even after they were issued under orders of the Chief Engineer nor was an intimation sent to the Atomic Energy authorities regarding the issue of the material.
- (vi) When the stores were not returned for sometime, no efforts were made to write to the Atomic Energy authorities, which would have disclosed the fraud earlier.
- (vii) The number etc. of trucks which took away the stores were not noted down.

8.79. The Committee appreciate the free and frank statement given before them by the then Collector of Cannanore. They would suggest however that in order to safeguard against such cases arising in future, it is desirable that the feasibility of introducing the following measures is examined:

(a) The Central Government should issue instructions to all Ministries/Departments/Organisation, etc. under them if not already done, that whenever any assistance is sought by their officers from State Government authorities, a written intimation in advance should be sent to State Government and a copy of the same should be endorsed to the officer of the Central Government. The officer of the Central Government should produce this document so as to enable the State officials to establish his identity before taking any action in the matter.

(b) The procedure regarding issue of stores, either on loan or otherwise should be tightened up and suitably amended to plug the loopholes brought to light in this case.

8.80. The Committee hope that with the detailed information available with the police, they would be able to pursue the case vigorously and apprehend the culprit.

Loss due to clodding of cement, S. No. 10, pp. 130-131—App. VI. Part II (Audit Report, 1964).

8.81. Losses due to clodding of cement were noticed in the under-mentioned four divisions of the Public Works and Public Health Engineering Departments. In two cases, the losses were written off by Government, while in the remaining two cases the orders of Government are awaited (April, 1964).

Sl. No.	Division	Quantity of cement clodded	Value Rs.	Remarks
		Cwts.		
1	Bridges Division Kottayam	578	3,613	Cement stocked at worksite clodded in August, 1958. The loss was stated to be due to unusually high floods. The loss was written off by Government in August, 1962.
2	Bridges Division, Alwaye.	1,610	11,464	Clodding of cement in stock noticed in May, 1960 and December, 1961 was attributed to the receipt of supply during rainy season.
3	Irrigation Division, Kanhangad.	729	4,182	Clodding of cement was noticed in November, 1959. The loss was attributed to defective storage conditions. Orders for write off of the loss are awaited. (April, 1964).
4	Public Health Division Alleppey.	367	2,753	Cement was reported to have clodded due to leakage of water into the store on account of heavy rains in September, 1962. The loss was written off by Government in December, 1963.

8.82. The Committee desired to know the reasons for the abnormal delay in the investigation of the losses. The Secretary admitted that there had been delay which could not be explained. The Committee drew the attention of the witness to the fact that the State Public

Accounts Committee had repeatedly emphasised the need for prompt action in the matter of investigation of losses and desired to know as to why no action had been taken in that direction. The witness stated that the Department was taking all possible steps to set the things right. Sometimes cases came to their notice a little later.

8.83. On being asked whether any new system had been introduced, the witness stated that no new system had been introduced. In a case like this, a large number of officials was involved. Where the Deptt. had to get the replies from the lowest officer, there was a long channel through which these had to come. Hence there was always some delay.

8.84. The Committee note with regret that there was no justification for the delay in the investigation of losses disclosed in this case. They desire, therefore, that the existing procedure should be tightened further so as to reduce the delays in such cases. The Committee also desire that the Public Works Deptt. and the Public Health Engineering Deptt. should take special precaution to prevent clodding of cement during storage or transit.

Kattampally Project, para 44, pp. 48-49 (Audit Report, 1965)

8.85. The Kattampally Project, a multipurpose scheme in Cannanore District for irrigation, flood control and communications was sanctioned by Government in November, 1957. It was scheduled to be completed by 1961: but it is now programmed to be completed only by 1965.

(a) Some particulars of the cost, etc.,
of the scheme are given below:—

(i) Cost of construction :	(in lakhs of rupees)
Original estimate (1958)	31.49
Revised estimate (November, 1963)	47.90
Actual expenditure up to end of July, 1964 (work is in progress)	32.86

8.86. The increase in the estimated cost of the project was stated to be mainly due to (a) extra cost due to change in design of the work (Rs. 6.09 lakhs) and (b) inadequate provision for regulators, shutters,

navigation lock, etc. and depreciation for heavy tools and plant and increase in the cost of material and labour (Rs. 9.02 lakhs).

(ii) Area to be benefited :

Original estimate (1958) . Irrigation of about 4,000 acres and reclamation of 1,000 acres.

Revised estimate (proposed in November, 1963; awaiting sanction of Government). Irrigation of 3,168 acres (assessed after verification by the Revenue Department) and reclamation of 1,000 acres.

(iii) Anticipated return on the capital invested without taking into account interest charges :

Original estimate (1958) . . . 1.10 per cent.

Revised estimate (November, 1963) . 0.54 per cent

8.87. The shortfall in the estimated revenue return according to revised estimate was attributable to the upward revision of the estimated cost and a decrease in the area benefited.

8.88. The project estimates also anticipate realisation of a total sum of Rs. 5.14 lakhs by way of betterment levy over a period of twenty years after the commencement of irrigation.

(b) *Abandonment of foundation wells*

8.89. Out of 36 wells constructed in October, 1958 for foundation of salt water regulator, some were found (June, 1960) to have tilted badly; 20 of these wells covering about 58 per cent of the total quantity (983 out of 1,703 running feet) were ultimately abandoned in 1963; the expenditure incurred on these wells which became infructuous was Rs. 401 lakhs.

8.90. In August, 1963 the Chief Engineer stated that the tilting of the wells was due to the 'treacherous nature of the soil' and that the efforts made to rectify the defects were 'of no avail'.

8.91 The Committee desired to know the circumstances under which the whole estimate in respect of the project had proved incorrect. The Chief Engineer (C&I) stated that the original estimate which was based on a preliminary investigation gave the area as 4000 acres. Subsequently the ayacut was examined in detail and it was found that there was shortage of the area to be benefited. The increase in cost was mainly due to (i) the treacherous nature of the soil; and (ii) increased cost of material and labour. On being asked

as to why those difficulties were not taken notice of when the scheme was prepared, the witness stated that the Deptt. knew that there would be difficulties and the delay was also due to those difficulties. On being pointed out that when the difficulties were known proper allowances should have been made in that regard, the witness admitted that it was a mistake.

8.92. The Committee desired to know whether the scheme had been completed. The witness stated that the scheme would be completed by next summer. When the Committee pointed out that the estimated cost had gone up by more than 50 per cent the witness stated that it was due to technical difficulties. There were certain things in regard to the nature of the soil which could not be foreseen. Only during actual work, the Department came across the difficulties. On being asked whether there was any method of testing the soil conditions, the witness added that the soil conditions were tested and inspite of that there were difficulties in this kind of treacherous soil. On being asked whether the soil conditions could not be examined to see whether the soil was treacherous or not, the witness stated that it was very difficult unless there was elaborate test. Tests were carried out in the same soil, some wells were all right and some got tilted.

8.93. The Committee desired to know the special difficulties as a result of which the estimates had gone up by 50 per cent. The witness stated that the work consisted of a regulator, a lock and embankments. The regulator was founded on rocks sunk on clay soil. A number of wells got tilted during actual sinking. The regulator sites had to be slightly shifted and then more wells were put. Some wells had to be abandoned.

8.94. The Committee pointed out that the explanation given to Audit was that the investigations were not complete and full because of the urgency of the work and enquired whether proper investigations were done or not. The Secretary stated that the work was taken up in Malabar area. "There was a lot of public agitation that such works should be taken up very quickly." Investigations were done and the work was taken up. The witness admitted that if it had been investigated much more fully, the estimate would have been more realistic and many of the pitfalls might have been avoided. The witness further urged that at certain times in certain cases there might be genuine difficulties. The Committee pointed out that if there were genuine difficulties, that should be brought to the notice of

the Committee. The Committee further pointed out that there would be loss of public revenue, if every-thing went wrong due to the preparation of wrong estimates and if the Deptt. took more than four years to complete the works and also if the return was reduced by 50 per cent as had happened in this case. On being pointed out that the scheme would not have been undertaken, if the return was to be only very little, the Secretary stated that there was the question of local demand which had to be considered. In reply to a question the witness admitted that the Administration might have had second thoughts about the works, if it was pointed out at that time that the scheme was going to cost double the estimated amount; the return was going to be reduced by half; the area to be benefited was to be reduced by 25 per cent and the scheme was to take over four years more. In reply to another question, the Chief Engineer (G&I) stated that the estimates were further revised to Rs. 52·81 lakhs and added that it was hoped to complete the works within the amount.

8.95. The Committee feel concerned to note that the Kattampally Project estimated to cost Rs. 31·49 lakhs in 1958 and scheduled to be completed by 1961, was now expected to be completed by the summer of 1966 at the revised estimated cost of Rs. 52·81 lakhs. On top of that, the estimated return on capital invested has also been reduced by about 50 per cent and the area to be benefited has been reduced by 25 per cent. These facts indicate that there has not only been defective planning of the project, but also there have been defects in its execution. One of the reasons was stated to be the treacherous nature of soil. But it was admitted in evidence that investigation had not been made fully. It is not therefore surprising that estimates based on incomplete investigations proved so unrealistic. The Committee also deprecate the abnormal delay that has occurred in completing the project and hope that it would be completed by the revised target date indicated to them during evidence.

8.96. The Committee also recommend that in planning and estimating such important projects, detailed investigations should be made before hand to prepare more accurate estimates both regarding time and money required for the project.

Extra expenditure, para 44(c), p. 49—(Audit Report, 1965)

8.97. Of the four quotations received in June, 1960 for the supply and erection of 15 regulator shutters, the lowest was from Public Works Workshops and Stores, Madras; but orders were placed in January, 1961 with the highest tenderer (a firm, in Mysore State)

on the ground that this firm had undertaken similar work in two other projects and that the lowest tenderer was not very keen in taking up the work. The extra expenditure amounted to about Rs. 1.32 lakhs. None of the 15 shutters and 2 lock gates (cost Rs. 4.01 lakhs) received between November 1961 and August, 1963 has been put to use so far (December, 1964). Further, two of these shutters (proportionate cost Rs. 0.49 lakh) have been rendered surplus consequent on the change in the design of the regulator to be used in the project. The Department has not found alternative use for these two surplus shutters (December, 1964).

8.98. Explaining the position in regard to the supply of regulator shutters, the Chief Engineer (G&I) stated that one tender was from Tungabhadra workshop which was a Government concern. The lowest tender was from Madras PWD Workshop which was not a firm tender. The Madras PWD Workshop had given only the approximate cost. It was known from personal contact that they were not very eager about the work. In reply to a question, the witness stated that it was not a tender but only a letter. On being asked about the second and the third lowest tenders, the witness stated that the other two tenderers had never done any shutters before. The Madras PWD had stated that they would do the work as and when they were free. The Workshop was not a commercial venture, but did work for their own Department. As far as supplies to Kerala PWD were concerned, they were not in a position to give a firm price. Secondly, the Chief Engineer during the course of personal discussion got the impression that the Madras PWD Workshop were not agreeable to do the work. The Tungabhadra workshop was also a public sector company who were agreeable to give a firm price and as such they were preferred.

8.99. The Committee pointed out that the quotation given by the Madras PWD Workshop and the Tungabhadra workshop were Rs. 5,03,600 and Rs. 7,04,800 respectively. The views of the Government presumably were quite different at that time from what had now been stated. At that time it was the opinion of the Department that the Madras PWD workshop had agreed to do the work on no profit no loss basis.

8.100. The Committee drew the attention of the witness to the communication dated 30th March 1962, and enquired as to when the orders were placed. The witness stated that the orders were placed earlier. The Committee pointed out that after the orders were placed, the Department wrote a letter to Chief Engineer almost taking him

to task for his action and enquired as to how the Department could justify what the Chief Engineer had done then.

8.101. The witness stated that the Government had examined the question and eventually on 19th August, 1963 had satisfied themselves about the action of the Chief Engineer that he could not accept the lower rate quoted by the Madras PWD workshop since they were not able to give full technical clarification required. Moreover, they were also not in a position to do the work as they had other works for their own Departments.

8.102. The Committee pointed out that the orders were placed in January, 1961 and the Department had written a letter on 30th March 1962, after 15 months. During that period, the case was examined and it was found that works were very costly and the Chief Engineer was taken to task. The Secretary stated that the Chief Engineer in his letter of December, 1962 had stated that—

“About the other points, I may state that Government Engineering Workshop, Madras, is purely a Govt. concern and according to their terms the costs quoted are only approximate and the charge will be made according to weight. So, it is not correct to analyse the position purely based on this approximate quotation. Only after they had responded to the clarifications raised, their quotation would have been considered. Besides, the Govt. Engineering Workshops, Madras has plenty of works for their own State and they are not very keen to take up works in other States. But the other project (Tungabhadra Steel) which was also a Govt. concern insisted on large scale manufacture and they are doing the manufacture of irrigation shutters for Neyyar Irrigation project and the Periyar Valley Irrigation Project. They are quite experienced in this line and our dealings with them have been very satisfactory. Because it was Tungabhadra Steel Project and since they showed keen interest, the work was awarded to them. Everything has been done in good faith for this award of the work to this reputed quasi-Govt. concern. The circumstances under which the work was awarded have already been explained in detail in my previous letters.”

8.103 On being pointed out that the letter did not give any additional information except that it was done in good faith, the witness stated that it was again the personal judgement of the Chief Engineer that they would do the work better.

8.104. The Committee pointed out that the difference in rates was very substantial viz. Rs. 2 lakhs in a contract of Rs. 5 lakhs. The witness agreed when it was pointed out that the rates could have varied both ways as the Madras PWD Workshop had agreed to work on no profit no loss basis and they too had the experience regarding shutters.

8.105. The Committee are not convinced of the arguments advanced for placing orders with the highest tenderer, ignoring the lowest tender resulting in an extra expenditure of Rs. 1.32 lakhs.

8.106. It is surprising that the opinion of Government changed as regards placing of order with the lowest tenderer later when they ratified the action of the Chief Engineer who claimed to have placed the order with the highest tenderer in good faith. One of the reasons put forth in evidence was that the Chief Engineer in the course of his personal discussion gathered the impression that the Madras Workshop was not agreeable to do the work. The Committee find no evidence in support of this contention. On the contrary they find that the Chief Engineer had not given sufficient time and technical data to the Madras Workshop who had originally agreed to do the work on no-profit no-loss basis.

8.107. The Committee are of the opinion that the action of the Chief Engineer in ignoring the lowest tender resulting in the extra expenditure cannot be fully justified.

8.108. The Committee would like to be informed of the efforts made to find alternative use for two surplus shutters.

Anti-sea erosion works, para 46, pp. 51—58 (Audit Report, 1965)

8.109. Anti-sea erosion works intended to protect the coastal areas of the State from erosion by tidal waves were started towards the end of the First Five Year Plan period. Pending availability of the results of model studies at the Central Water and Power Research Station, Poona the construction of a sea wall, one mile long, was completed at Mannassery in 1956 at a cost of Rs. 10.30 lakhs. Based on the recommendations of the Research Station, more comprehensive programmes of constructing sea walls with groynes, were undertaken. The expenditure upto the end of March, 1964, amounted to Rs. 4.66 crores; this has been financed from loans received from the Government of India.

8.110. The expenditure incurred for the construction of groynes, amounted to Rs. 2.20 crores upto August, 1964 in nine out of ten

divisions (information regarding Trivandrum division awaited); the expenditure has not been fully fruitful so far as indicated below:

8.111. According to two American experts who visited the State, one during October-November, 1963 and the other during March-April, 1964 to study the problem of sea-erosion at the instance of Government of India, the present construction of groynes at intervals, without providing nourishment in between was harmful to adjacent reaches. The experts also recommended that a long range data collection programme on geomorphology, characteristics of materials of the littoral zone, forces pertinent to littoral zone, viz., waves, currents, winds and tides, shore history, etc. should be initiated and the result be made use of in planning, designing and constructing shore protection works. Accordingly, the State Chief Engineer ordered in May, 1964 to stop further construction of groynes.

8.112. One work on an experimental programme of providing beach fill and artificial nourishment with sand estimated to cost Rs. 5.08 lakhs was taken up in March-April, 1964 under the guidance of one of the foreign experts for a length of one mile and a furlong at Purakkad. The work was, however, discontinued in June, 1964 after incurring an expenditure of Rs. 2.19 lakhs; it was stated that the Department was not able to check the erosion for want of the required equipment capable of pumping about 5000 c. yds. of sand per day from a source which was about 2½ miles away. The Department is proposing to try the experiment at some other place after procuring the required machinery and equipment. Certain proposals for procuring the machinery required for the experiment are stated to be awaiting sanction of the Government of India (March, 1965).

8.113. The following further points were noticed in audit:

- (i) Out of 69 works (aggregate estimated cost; Rs. 6.10 crores) taken up for execution during December, 1957 to May, 1964 in nine divisions, 33 works were commenced before receipt of sanction to detailed estimates. For 14 of these works, sanctions to detailed estimates are awaited (November, 1964); the total expenditure incurred on them upto August, 1964 was Rs. 45.34 lakhs.

- (ii) In the report of the Chief Engineer (Irrigation) prepared for the benefit of the American expert who visited the State in October-November, 1963, it was stated that damages had occurred to many of the groynes and sea walls and that in certain places the sea walls had sunk. In reply to an Audit enquiry, the Chief Engineer stated that the causes for the damages were not investigated due to lack of sufficient technical data and modern equipment for field data collection. The extent of damages has not also been assessed.

8.114. The Committee desired to know whether the Central Water and Power Research Station, Poona was again consulted after the construction of further groynes was stopped. The Chief Engineer (G. & I.) stated that the Central Water and Power Research Station, Poona was also working with the American experts. On being asked whether the Research Station concurred with the opinion of the American experts, the witness stated that there was difference of opinion. In reply to a question, the witness stated that the American experts were sent by the Government of India. There was some difference about the effectiveness of the groynes, which according to the witness was not material.

8.115. The Committee desired to know why, when the work of anti-sea erosion was taken up for the first time, the Department did not wait for the recommendations of the Central Water and Power Research Station. The witness stated that the very first work was done by the State before the Plan period without consulting the Research Station. During the Plan period, the Research Station, Poona was consulted and subsequently the designs were prepared by them. The Committee wanted to know if the need was not felt in the beginning, how the need arose afterwards. The witness stated that in the beginning the work was done by Madras and Cochin by taking up small erosions and it was done to the extent of their own knowledge. The Research Station, Poona was consulted, when it came into the Plan and was taken up on a big scale.

8.116. In reply to a question, the Joint Secretary, Ministry of Finance, Government of India, informed the Committee, that the sea-erosion in Kerala was a big problem and the Government did not have adequate experience anywhere in India. A lot of investigation had to be done and investigation could not be done in two or three months' time but it might take even a year. In the meanwhile some sort of experimental work was done. The erosion scheme was

something which had yet to be prepared. It had to be studied and only then the work could be done.

8.117. The Committee desired to know the results that had been achieved under the scheme, which was going on for 10 years and on which more than Rs. 4 crores had been spent. The witness stated that the areas were being protected, but the protection had not become permanent. The Department was obliged to spend more money and the effort was to reduce the cost of construction and maintenance by improving the design.

8.118. The Committee pointed out that some work was taken up without the sanction of the Government. The Secretary, Public Works Department stated that the Department did not really know where the sea was going to strike. When erosion developed in the area which the Department thought was protected and where it was not expected, work had to be taken up. He added that sometimes it so happened that the local Executive Engineer and Superintending Engineer took up the work. He might consult the Chief Engineer on telephone or he might contact the Minister or send a telegram to him and the Minister might ask him to do the work at once.

8.119. The Committee pointed out that the Department had required a particular type of machinery and enquired as to how the work was taken up in the beginning without that machinery. The Chief Engineer stated that the work was taken up as a pilot scheme which was done under the advice of American experts. On being asked as to how the scheme was taken up without the required machinery, the Secretary stated that there was no machinery available in India and further added that the scheme was discussed at the highest level. The Minister of Irrigation and Power had called all the people and subject to their general guidance American experts had tried to utilise the existing machinery.

8.120. At the instance of the Committee, the Public Works Department have furnished a note giving details of the Project, the amount of money spent on the project, the result achieved, the difficulties encountered and the future programme of anti-sea erosion work. (Appendix LIII).

8.121. The Committee note that according to the estimates, a total outlay of about Rs. 30 crores may be required for giving protection to the entire coast line of the State of Kerala. The expenditure so far incurred on this Project during the three Five Year Plans upto

the end of October, 1965 is Rs. 594.37 lakhs. The physical achievements are stated to be as under:

1st Five Year Plan	One mile of sea wall was constructed as an experimental measure.
2nd Five Year Plan	19 miles and 1 1/2 furlongs of sea wall with groynes were arranged and about 15 miles of sea wall with groynes were completed.
3rd Five Year Plan	About 19 miles of sea wall with groynes have been constructed upto the end of October, 1965.

8.122. The Committee feel concerned to note the magnitude of the task involved in the work of anti-sea erosion in the State of Kerala and comparatively slow progress made so far. The Committee find from the note that there is a loss of about 15 to 30 feet of land every year in some places owing to sea erosion. As an example it has been stated that roughly about 800 acres of land in Chellanam and Vypeen area, about 300 acres in Pallithode and Anthakarazni region and an equal extent in Quilandy and Tellicherry area have been consumed by erosion in the past 20 years or so.

8.123. On the request of the State Government that the Government of India might tackle the problem at the National level financing the entire expenditure themselves, owing to the magnitude of the problem, the huge expenditure involved and the State's inability to take it up, the Government of India have informed them that the existing pattern of financing anti-sea erosion works was proposed to be continued during the Third Plan and that a change in the pattern during the Fourth Plan will, however, be considered.

8.124. In the opinion of the Committee, if anti-sea erosion scheme is to succeed, the project will have to be taken up as a whole and not by tackling the problem piecemeal or on ad hoc basis i.e. where and when the sea chooses to strike. Considering the importance of the project in Kerala where pressure on land is so heavy and where there is constant fear of loss of life and property from sea erosion, the successful tackling of the problem is an imperative and urgent necessity. Moreover, if the entire project is taken up at the National level, there is every likelihood of economy in the Project in the long run. Therefore, the Committee would urge upon the Government of India to have the whole matter properly examined with a view to implementing it expeditiously.

8.125. (iii) 5 cases of extra expenditure involving a total amount of about Rs. 2·87 lakhs are given below:

Name of work	Particulars of extra expenditure	Remarks of Govt./ Deptt.
1	2	3
(a) Constructing a sea wall and 3 groynes at Aryankadappuram, Parappanangadi-irrigation Division, Kozhikode Estimated cost : Rs. 3·49 lakhs. Revised estimate : Rs. 4·24 lakhs.	(i) The contract for the work was settled in March, 1961 after inviting only limited quotations instead of open tenders; this was stated to have been done on the ground of urgency of the work. The administrative approval was accorded by Government in June, 1962 and the technical sanction in December, 1963. The work was due for completion by June, 1961 ; but was actually completed two years later in June, 1963. This indicates that the non-invitation of open tenders on the grounds of urgency was not justified.	
	(ii) Contractor 'A' who had quoted the lowest rate backed out in the last moment. The Department then accepted the only other offer from 'B'. His rates being higher, this entailed an extra expenditure of Rs. 52,049 computed with reference to the rates quoted by 'A'. No earnest money had been taken from the tenderers. If this had been done, the extra expenditure would have been minimised to the extent of Rs. 7,000, being the amount of earnest money which could have been forfeited.	

8.126. The Committee desired to know as to why limited quotations were invited in this case. The Chief Engineer (G. & I.) stated that

because of urgency, only limited quotations were invited. The Committee pointed out that the work was sanctioned a year later and was completed only in 1963. The witness stated that the work was started in May, 1961 (in anticipation of sanction). Immediate protection was given even when the work was started. Completion took some time.

8.127. The Committee enquired whether it was not a fact that the lowest tenderer backed out and when the next higher tender was accepted it was the lowest tenderer only who worked for the higher tenderer. The Chief Engineer (G. & I.) stated that he had no information. The Committee then drew the attention of the witness to the correspondence that was exchanged between the Department and the Audit and pointed out that the Department knew that the lowest tenderer held the power of attorney of the other party and was receiving payment for the work. The witness admitted that he could not remember the position.

8.128. In this case the Committee feel that the Government was involved in higher expenditure because of some collusion between the two tenderers. With proper vigilance on the part of the officer concerned a situation like this could have been avoided.

8.129. The Committee would like the Departments to make proper enquiries about the contractors before allotting work to them so that situations like the one which arose in this case whereby the lowest tenderer backed out and then worked for the higher tenderer may not recur.

8 130. (iii) The accepted rates for transport of materials for the work took into account conveyance by head load for some distance as lorry transport was not permitted over a weak bridge on the route, but the contractor delayed the execution of the work and transported the major portion of the materials (4261 units out of the 4333 units) after the bridge was strengthened and opened for heavy traffic in March, 1962. Thus he derived a financial advantage (as accepted by Government in December, 1964) of about Rs. 38,000, representing the saving of labour charges (half furlong head load over the bridge and loading and unloading at either end of the bridge) in respect of the materials (4261 units) conveyed after March, 1962. No penalty was imposed on the contractor for the delay in execution and no negotiations were made with a view to securing proportionate reduction in rates for transport otherwise than as envisaged in the estimate.

Government stated (December, 1964) that the agreed rates could not be altered as the strengthening of the bridge was not done at the request of the contractor.

8.131. In regard to transport or materials by head load whereby the contractor had derived a financial advantage of Rs. 38,000, the Secretary, Public Works Department stated that actually the contractor was given some extension of time on the ground that the sea was very rough and there was a lot of rain because of which he was unable to do the work. That plea was accepted by the Department. Accordingly the penalty clause was not insisted upon. The witness further added that if the penalty clause was insisted upon, there was no doubt that the Government would not have suffered this loss.

8.132. The Committee trust that such cases will be avoided in future.

<p>8.133 (b) Construction of 4 groynes at Bepore sea mouth Irrigation Division, Kozhikode Estimate : Rs. 2.16 lakhs.</p>	<p>The work awarded to a contractor in March, 1961 was to be completed by May, 1961. The contractor, however, executed only 10 per cent of the work upto the end of May, 1961. The poor progress was attributed by him to insufficient water in the river till the monsoon set in and to the floods thereafter which hampered the work of transporting rubble by country craft through the river. As the transport of the rubble after July, 1961 became very difficult, the contractor requested for enhanced rate for the transport of rubble using an alternative route. The Chief Engineer allowed increase in the rates in November, 1961 even though this was not admissible according to the terms of agreement. This resulted in an extra expenditure of Rs. 82,201.</p>	<p>Government stated in December, 1964 that there were changes in the site conditions due to floods, which the contractor could not have anticipated while quoting the rate for conveyance of rubble.</p>
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8.134. Explaining the position in regard to the extra expenditure of Rs. 82,201, the Chief Engineer, (G. & I.) stated that there was a change of the condition at the site. In reply to a question, the witness stated that the time given was not adequate. The Executive Engineer might have taken a more realistic view of the situation

and given more time for execution of the work. The Committee were informed that the contractor was the same person who had withdrawn from the earlier contract. On being pointed out that when the contract was given the contractor was prepared to execute the work by May, 1961, the witness stated that what happened was that in some cases, the contractor could complete the work and in some cases it could not be done and many of the contractors had taken advantage of the situation. In reply to a question, the witness stated that there was a penalty clause in the contract.

8.135. The Committee desired to know the justification for the payment of Rs. 82,201. The witness stated that it was due to the longer route that was involved. Originally the idea was to take the material across the river. Because of the impossible condition, it could not be done. The Committee pointed out that it was the responsibility of the contractor to transport the material and enquired as to how the Department was concerned with the level of the water in the river or the delayed monsoon, resulting in the route being longer. The witness stated that when the contractor was unable to do the work, the Department could have either cancelled the contract or could have persuaded the contractor to bring the materials. In reply to a question, the Secretary stated that it was not possible to justify the payment of Rs. 82,201. On being pointed out that in the earlier contract, the contractor had backed out and in the present case, the same contractor had made the Government to suffer a loss, the witness stated that this aspect of the matter would be investigated and necessary action taken against the contractor.

8.136. The Committee find no justification for the payment of a sum of Rs. 82,201 to the contractor which could have been easily avoided. It is unfortunate that before awarding the contract a more realistic view of the situation had not been taken and the fact that the same contractor had backed out from another work and then worked for the higher tenderer had not been taken into consideration. The Committee desire that an investigation into this case should be made and suitable action taken against the contractor.

<p>8 137. (c) Construction of groynes and sea wall at Sakthikulangara and protection to the beach near Neendakara-Irrigation Division, Alleppey Estimated cost : Rs. 8 32 lakhs</p>	<p>In July, 1961, a labour co-operative society which was executing similar items of work in the adjacent locality of Thirumullavaram requested that the work at Sakthikulangara also which was close to their workspot, be allotted to them. The tender notice already is-</p>	<p>In regard to the cancellation of the tenders and allotment of the work to the society by negotiation, Government stated in July, 1963 that they would not have got more favourable rates had the work been tendered for.</p>
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sued on 1st July, 1961 was cancelled and the work was allotted (October, 1961) to the society at 11.48 to 44.28 per cent below the schedule of rates in force at that time allowing extra lead/lift.

The society started the work at Sakthikulangara in November, 1961. The schedule of rates was revised in December, 1961. Although this was not applicable to the contracts already in force the Department allowed increased rates to the society with reference to this revised schedule of rates. This entailed an extra expenditure of Rs. 94,677 on quantities executed and paid for upto the end of March, 1964. The work is in progress (November, 1964).

The matter was reported to Government in October, 1964 ; their reply awaited (April, 1965).

8.138. The Committee desired to know the justification for enhancing the rates subsequently in this case. The Chief Engineer (G. & I.) stated that there were two different places, for the first work and the second work. "The second work was given to the Labour Contract Society, applying the same tender reduction on the estimate that was prepared." The Committee pointed out that tender was awarded at a particular price and the Department had allowed increased rates because of the subsequent revision of the schedule. The witness stated that the increased rates were for another work and the work was given with the approval of the Government. In reply to a question, the witness stated that the approval of the Government was obtained before the work was given without tender.

8.139. In reply to a question, the witness stated that the rates were revised for contracts which were already in existence at that time. On being pointed out that there was no legal obligation to increase the rates, the witness stated that there was no legal obligation for the contractor to do the work.

8.140. The Committee pointed out that there was already a contract in existence and enquired as to how the contractor was not under obligation to do the work. The Secretary stated that the work was given to the old contractor viz., the Society at the rates

which they had agreed to for the first work. The rates were calculated at so much percentage below the estimates rather than so much rates for such and such quantity and that was how the new rates were given.

8.141. When the Committee pointed out that the Department was under no obligation to increase the rates in respect of a contract which was already in existence, the Secretary admitted that there was no obligation to increase the rates. On being asked about the justification for payment of the increased rate, the Secretary stated that if the work had been given after inviting tenders, the Department would not have got more favourable rates.

8.142. On being asked to explain the case further, the Secretary stated that there were three different works. Sea wall and groynes at Thiruvullavarana costing about Rs. 24 lakhs was given to the co-operative society who had tendered for the work. Secondly, there was another estimate amounting to Rs. 6½ lakhs for anti-sea erosion work in an adjacent place. Thirdly, there was a protection work which was sanctioned at a cost of about Rs. 1,72,000. Originally the first work was given to the labour contract society as such at tender rates. With regard to the other two the work was given to the Society. The Society had agreed to do these works at the agreed rates. The sanction of the Government also had stated that the action of the Superintending Engineer in having entrusted the work to the labour co-operative society at the agreed rates had been ratified. The Chief Engineer had also stated that the Government would not have got a more favourable rate, if the work was to be tendered. The work had to be arranged at short notice and there was necessity of immediate protection to the area. After taking into consideration all these facts, the Government had ratified the action of the Chief Engineer which was sometime after the work had actually been taken up. The work was taken up at the request of the Collector of Quilon who had told the Superintending Engineer about the bad erosion. The general impression was that the agreed rates for the previous work would be given. Increased rate for labour was given in respect of the second work which had not been objected to by Audit. The witness stated that he could not give any justification for giving increased rates for the material. He presumed that this had been given on compassionate grounds. The Committee pointed out that the work was given to the society at their request at the old rates and desired to know what the compassionate grounds were and the justification for giving increased rates. The witness stated that in all cases of labour contract society, the Department had been offering much more liberal terms than in respect of other contractors.

8.143. The Committee desired to be furnished with further information as to what was the justification for giving increased rates to the society when they themselves wanted the work at old rates. The information furnished is at Appendix LIII.

8.144. It has been stated in the note that with regard to the work at Sakthakulangara costing Rs. 6,80,450, the scheduled rates for labour had been increased at the time of submission of the estimate. The Society was stated to have been given the benefit of the new schedule because the revised schedule came into force immediately after the work was entrusted to the Society. The Government had accepted the Chief Engineer's recommendation that the rates to be given to the contractor should be the estimate rates minus tender reduction for various items. In the other case also, the estimate for Rs. 1,72,000 was prepared on this basis.

8.145. The Committee are unable to discover any reasons in this note or in evidence as to why increased rates were given to the Society who themselves wanted to do the work at old rates. In view of the Society's earlier acceptance of the old rates, subsequent enhancement of the rates seems inexplicable. In the absence of any convincing reasons, the Committee are of the view that the increase in rates given to the Society after the work was entrusted to it was not justified.

8.146.

(d) Construction of 18 groynes at Arattupuzha and Mangalam Irrigation Division, Changanur. Estimated cost: Rs. 3.92 lakhs.

The lowest tender received for the work in response to a call for tenders in June, 1959 could not be availed of by the Department since the administrative sanction for the work applied for by the Chief Engineer in July, 1959 was accorded by Government only in July, 1960, i.e., about 10 months after the expiry of validity period of the tender (September, 1959). The work was then split up into two parts and awarded to two contractors on the basis of fresh tenders invited in August, 1960 and December, 1960 respectively. This involved an extra expenditure of about Rs. 31,684 compared to the lowest tender of June, 1959.

Government stated (December, 1964) that usually the trend was to get lower rates when tenders were invited by splitting the work into smaller units; but in this case conditions had changed owing to the general trend of rise in prices since 1958-59.

8.147. Explaining the position in regard to the extra expenditure of about Rs. 31,684 in this case, the Secretary stated that the delay in the sanction was due to lack of provision and lack of specific funds for the purpose. The Department thought of getting a supplementary grant but later it was decided that the funds would be found within the sanctioned funds that were available. That was how the delay had occurred. There was no provision in the year 1959-60 and it was sanctioned in 1960-61. In regard to the additional expenditure, the splitting of the works alone was not directly responsible for the increase in the cost. On being pointed out that there were sufficient funds available for re-appropriation, the witness stated that the Finance Department had stated that if the work was urgent the administrative department should have taken action for getting administrative sanction. The witness further added that by that time the supplementary demands were finalised and forwarded to Government of India and it was not possible to include the works therein. The question, whether any advance could be taken from the Contingency Fund when Parliament was in session was being examined. In reply to a question, the witness stated that the work was a major work. It was not a budgeted item of work. It was a new scheme. The Finance Secretary further added that the work was not a budgeted item of work and it was a new scheme. On being asked whether it would not come under any one of the sub-heads the witness stated that so far as the PWD was concerned, they were authorised to take up only budgeted items of work. The PWD had a list of works approved by the Government. The work was a major scheme costing a big amount.

8.148. While the Committee appreciate that the PWD are authorised to take up only budgeted items of work, they feel that with forethought and proper planning, it should have been possible to make suitable provision for this work in the Supplementary Budget.

8.149.

<p>(c) Construction of 3000 ft. sea wall and groynes along beach near the P. W. D. Section Office, Cannanore Irrigation Division, Tellicherry. Estimated cost: Rs. 9.36 lakhs.</p>	<p>Tenders were invited for the entire work and the lowest one received (2nd March, 1961) was 21.49 per cent below the estimated cost. However, only a part of the work, viz., 800 ft. of sea wall and 3 groynes was allotted on 4th March, 1961, to the lowest tenderer, on the ground, that adequate funds were not available to meet the</p>	<p>The matter was reported to the Chief Engineer in September, 1964 and to Government in November, 1964 their replies are awaited (April, 1965)</p>
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expenditure for the whole work. This allotment was followed (May, 1962) by the award of work on another 800 ft. of sea wall to the same contractor at the same tendered rate. The work was commenced by this contractor on 13th March, 1961 and was completed in January, 1963.

The contractor had protested in March, 1961 against the Department's action in not having awarded the entire work to him. In March, 1962, again the contractor's wife (who was then executing the work, the contractor having died in the meantime) offered to execute the balance of the work at the rate tendered on 2nd March, 1961. The Department did not accept the offer considering the rates to be not sufficiently competitive; the work was subsequently (August, 1963) allotted to another contractor at higher rates, after a fresh call of tenders. This entailed an extra expenditure of about Rs. 26,225 compared to the rates (tendered on 2nd March, 1961) at which the original contractor had offered to execute the work.

It is noticed in this connection that even the construction of 1600 ft. of sea wall taken up in

March, 1961 was completed over a period of three financial years (1960-61, 1961-62 and 1962-63).

8.150. Explaining the position in regard to the extra expenditure of about Rs. 26,225 in this case, the Secretary stated that the limitation of work to 800 ft. was due to the paucity of funds and the necessity of limiting the expenditure. 800 ft. was also considered sufficient at that time as of immediate necessity. In reply to a question, the Chief Engineer (G. & I.) stated that the contract was given on 2nd March, 1961. On being pointed out that large funds would not have been required for utilisation before 31st March, the Secretary stated that in the case of anti-erosion works, one mile might cost Rs. 14 lakhs. On being asked as to how much funds would have been required for the remaining days of March, the witness stated that even for the following year the funds as such would be much less and the work would not go beyond the monsoon. The Committee then pointed out that the paucity of funds would not be a valid reason, the witness stated that it was not the paucity of funds for the particular work. It was quite possible that by that time the allotment of funds might have been exceeded and those were the years in which the Department had exceeded the allotment.

8.151. The Committee desired to know the basis on which the Department had come to the conclusion that the rates for anti-sea erosion work had come down. The Chief Engineer (G. & I) informed the Committee that the conclusion was based on the tenders received during the period and the judgement of the local officers. In reply to a question the witness stated that some lower quotations were received but these were not for this particular work. The Secretary further added that there was a report of the Superintending Engineer wherein he had stated that the rates for the work could not be competitive as the rates for anti-sea erosion work were coming down. That report of Superintending Engineer was accepted.

8.152. The Committee are unable to accept that paucity of funds was the reason for not entrusting the entire work to the contractor on the basis of the lowest tender quoted by him. This is also borne out by the fact that as mentioned in the Audit Report construction of 1600 ft. of sea wall was completed over a period of three financial years. The Committee hope such cases involving extra expenditure to Government would be avoided.

*Payments in satisfaction of a court decree—para 47, pages 58-59
(Audit Report, 1965).*

8.153. Payments aggregating Rs. 98,696 were made to a contractor in August, 1963 and October, 1963 in satisfaction of a decree of a court awarded in July, 1962. The contractor had claimed extra payment in connection with the construction (during the period 1944 to 1946) of a bridge at Kuthiathode, on the ground that the Department had delayed execution of the work and, therefore, he had to incur heavy loss on this account due to abnormal increase in prices.

8.154. While awarding the preliminary decree in March, 1960, the court had observed that no paper (not even the agreement) connected with the dispute had been produced by the Government, whereas the plaintiff had produced copies of certain official documents which the court had to admit in view of Government's failure to produce the originals.

8.155. An appeal against the preliminary decree was preferred only after the expiry of the time allowed by law; this was accordingly dismissed by the District Court (October, 1961). Further, no evidence was produced on behalf of Government before the Commission appointed by Court to assess the amount of decree; the Commission, therefore, accepted the statement filed by the contractor. A statement was later filed by the Government Pleader in June, 1962 before the court but it was not accepted.

8.156. According to a report of the Collector of Kottayam (March, 1963), the Advocate General had stated (February, 1963) lost the case by default in that no materials were placed on behalf of the State before the Commission appointed by the Court and on the admission by the Government Pleader that the figures furnished in the statement filed by the State were not based on original records.

8.157. Explaining the case, the Secretary, Public Works Department stated that this case started about 18 years ago. Some files had been destroyed and some papers were not available. The witness stated that to the extent that papers were available, he could answer the questions. When the Committee pointed out that while passing the decree, the Court had observed that the Government did not submit any paper, the witness stated that at that time all the relevant papers were not placed before the Court. There were some records which had shown that some papers were given to the Government pleader. The Government pleader had taken some papers and had filed those papers before the Court in the first instance. The witness stated that he was not in a position to say whether those papers were produced.

before the court at the proper time and whether those papers were returned to the Executive Engineer or not.

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

1. Reasons for delay in handing over the land to the contractor.
2. Circumstances due to which materials were not supplied to the contractor.
3. Action proposed to be taken against persons responsible for the lapses.
4. (a) The contractor is stated to have claimed extra rates by notice served on the Department on 2nd June, 1953. What was the extra amount claimed by the contractor according to this notice and what was the reply of the Department?
(b) What was the amount that would have been payable to the claim (i) of the contractor and (ii) on the basis of the recommendation of the Chief Engineer?
5. Why were no orders passed by Government on the recommendations of the Chief Engineer?
6. Was the amount recommended by the Chief Engineer acceptable to the contractor?
7. The Government appealed to the District Court against the judgement of the Additional Subordinate Judge, Kottayam, which was dismissed as having been filed after the time allowed by law without proper excuse.
(i) What is the time limit prescribed in the matter?
(ii) What are the reasons for delay in filing the appeal?
(iii) Has responsibility for the delay been fixed?
8. What are the reasons for not producing any records before the Commission by the Government? Did Government send any interim reply?
9. Has the responsibility for non-availability of records and non-production of the records been fixed and action taken for these lapses?
10. Why did Government take more than one year to satisfy the Court decree?

11. Did Government send a reply to the Draft Audit para forwarded to them in October, 1964, if not, the reasons therefor?

8.159. A detailed note on the various points raised by the Committee as furnished by the Public Works Department is at Appendix LIV.

8.160. Though the case relates to a contract involving construction work more than 20 years ago, what has caused grave concern to the Committee is the fact that no paper (even the agreement connected with the dispute) had been produced by Government, nor was any evidence produced before the Commission appointed by the Court to assess the amount of decree.

8.161. It appears from the notes furnished that there has been delay at various stages after the suit was filed in the Court in 1958. The final decree was issued on 13th July, 1962. In between, the Commission was appointed on 26th October, 1960. Therefore, Government cannot take the plea that owing to paucity of time the records could not be produced. The Committee feel that there have been lapses both on the part of the Government pleader and the officials dealing with this case which resulted in the Government being placed in an embarrassing position.

8.162. The Committee would like to stress the importance of ensuring that all possible measures are taken in time to defend cases of Government. It is also imperative that all relevant records relating to contracts, especially where disputes arise, are carefully preserved and maintained. The Committee desire the Finance Department to issue suitable instructions in the matter.

Idle outlay—para 48, page 59, (Audit Report, 1965).

8.163. The road portion of a part of the 'Ambalapuzha Edathua Road between Thakazhi and Edathua completed in March, 1961 at a cost of Rs. 6.18 lakhs has not yet (December, 1964) been brought to use. This is due to failure of the structures of four bridges en-route (estimated cost: Rs. 3.63 lakhs; expenditure up to December, 1964: Rs. 3.69 lakhs) in varying stages of construction.

8.164. According to a report made by the Chief Engineer to Government in November, 1962, work on these bridges was suspended as they required to be 'dismantled or abandoned'. In response to a further enquiry by Audit, Government forwarded in September, 1964, the remarks of the Chief Engineer which indicated that the

original design of the bridges was not suited to the 'very loose consistency' of the soil. Protective works estimated to cost Rs. 4 lakhs are reported to be under consideration of the Department (September, 1964).

8.165. Explaining the background of the case, the Chief Engineer (B. & R.) informed the Committee that the Department had prepared the estimates for rectifying the defects in all the bridges and were trying to use the existing one. There is a failure of the embankment on the bridge which was 22 ft. high. The clay could not withstand the 22 ft. high embankment. In reply to a question the witness stated that it was not correct to say that the original design of the bridge was not suited to the very loose soil. The bridge abutment had tilted. On being asked whether there were any damages to these four bridges the witness stated that in respect of two bridges, the damages were caused because the bridges had slipped. The other bridges were partially completed and the Department did not proceed further. In reply to a question, the witness stated that two bridges were partly completed. The completed bridges had been damaged. The other two bridges were not completed because it was found that due to high embankment, the bridges were getting damaged and so those were not completed.

8.166. In reply to a question, the witness stated that the roads were completed in March, 1961. On being asked whether the bridges were still under construction, the witness stated that the design had to be modified and proposals had been sent to Government to lower the embankment. In reply to a question, the witness stated that the soil was not tested before the construction of the bridges. When borings were taken there was only clay and the Department had no experience of this kind. Till 1961, it was never thought that there would be a failure of the soil in that area.

8.167. On being asked whether it was not necessary to test the soil before construction of the bridges, the Secretary stated that it was definitely a case of faulty designing. The Chief Engineer (B. & R.) informed the Committee that the Department had prepared the designs. On being asked about the total mileage of the road, the witness stated that the portion which was taken up was of the order of five miles. The witness further added that the material could be carried by boats and the road was not used at all.

8.168. The Committee trust that such cases of faulty designing, which are fraught with the risk of involving human lives would be scrupulously avoided by the Department.

Infructuous expenditure—para 49, pages 60—63, (Audit Report, 1965).

8.169. Particulars of three cases of infructuous expenditure aggregating Rs. 1.97 lakhs are given below:

Name of work	Particulars of infructuous expenditure	Remarks of Government/Department
(1)	(2)	(3)
<p>(a) Construction of a wharf for sailing vessels at Beypore (part of a Centrally sponsored scheme for development of minor Ports)—Irrigation Division, Calicut. Estimated cost: Rs. 10.40 lakhs.</p>	<p>According to the approved design the wharf was to be founded on R.C.C. piles driven to a depth of 40' to 45' below the bed level. In the course of the execution of the work it was found in December, 1963 that the piles cast could not be driven beyond an average depth of 9' below the bed level owing to the presence of 'hard laterite stratum'. It was, therefore decided by the Department in February, 1964 to have the wharf founded on wells; and this did not require R.C.C. piles. An expenditure of Rs. 1.36 lakhs on casting piles (194 numbers) thus became infructuous. The Department is still (April, 1965) to find an alternative use for the piles.</p>	<p>The matter was reported to the Chief Engineer in July, 1964 and to Government in October, 1964; their replies are awaited (April, 1965).</p>
	<p>Further, the contractor to whom the work was entrusted has not so far (April, 1965) accounted for departmental materials (cement and iron) costing about Rs. 43,106 issued to him in May, 1963 and earlier for the purpose of casting piles.</p>	

8.170. The Committee desired to know whether it was not possible to check the strata in the surface to find out whether there would be hard rock or not. The Chief Engineer (G. & I.) informed the Committee that it was possible to check the strata in the surface to find out the type of the rock and in this case it was really insufficient investigation. In reply to a question, the witness stated that the piles had since been made use of in another bridge.

8.171. In answer to another question, the witness stated that the scheme was a centrally sponsored scheme. On being asked whether the technical data was not called for by the Centre before giving their final sanction, the witness stated that as the scheme was a small work, the Department did not go into the details.

8.172. The Committee desired to know the action taken against the contractor, who could not account for the departmental materials amounting to Rs. 43,106. The Chief Engineer (G. & I.) stated that all the material had since been accounted for. On being asked about the value of the materials that had been accounted for, the Secretary stated that the value had not been reported. Final reply in the matter had not been received from the Chief Engineer and no reply had been sent to audit. In reply to a question, the Chief Engineer (G. & I.) stated that the account had been settled with the contractor.

8.173. This is yet another case where work was undertaken on the basis of insufficient investigation resulting in an infructuous expenditure of Rs. 1.36 lakhs.

8.174. The Committee are surprised to come across several cases of this nature which do not speak well about the working of the Department. They deprecate the tendency to take up engineering works without full and proper investigation of essential data and without carrying out necessary tests etc., especially in cases involving large amounts. They would desire this tendency to be curbed.

Name of work	Particulars of infructuous expenditure	Remarks of Government Department
(1)	(2)	(3)
8.175	(i) In December, 1957 when the construction of the sub-structure of the bridge was in progress, two of the wells constructed on the Pullut side cracked horizontally. Attempts to rectify the cracks having failed, the	The matter was reported to the Chief Engineer in February, 1964 and to Government in December, 1964; their replies are awaited (April, 1965).

Department abandoned the wells and made alternative arrangements by reducing the bridge span by 72 feet and introducing a 'canted' at the Pullut side of the bridge. The infructuous expenditure being the cost of the abandoned wells amounted to Rs. 38 842.

According to a condition in the agreement, the contractor who executed the work was to rectify at his expense any crack occurring in the wells during execution or within 6 months of completion thereof. In his report of June, 1958 to the Chief Engineer containing proposals for the revised design for the bridge, the Superintendent Engineer recommended the recovery of the loss from the contractor, stating that the mishap to the two wells occurred due to careless de-watering by the contractor and failure on his part to use high pressure air jets for the sinking operations. No orders were issued by the Chief Engineer on this aspect while approving the revised design.

- (ii) In regard to the remaining wells sunk, the Department incurred an infructuous expenditure of Rs. 8,161 in constructing and then dismantling masonry steining and cement concrete ring course found to

be in excess of requirements. This was stated by the Department to be due to the fact that the wells could not be sunk when they reached 5 to 10 feet above the rock level.

8.176. Explaining the background in this case, the Secretary stated that when the sub-structure of the bridge was in progress two of the wells constructed on the Pullut side had cracked horizontally. Attempts to rectify the cracks had failed. The Department had abandoned the wells and had made alternative arrangements by reducing the bridge span by 72 ft. and introducing cantilever at the Pullut side of the bridge. The Chief Engineer (B. & R.) further stated that in this case their conclusion had been that it was due to the negligence of the contractor that the cracks had occurred. The Superintending Engineer had sent an alternative design and the department had approved it. The witness admitted that the department did not say anything about the recovery because it was left to the Superintending Engineer to decide.

8.177. The Committee pointed out that the case had occurred in December, 1957 and the Department had not so far passed orders. The witness stated that the case came to the notice only after the audit report.

8.178. The Committee further pointed out that due to defective construction by the contractor, the Department had to spend money to rectify the defect and enquired as to why the amount was not recovered from the contractor. The Secretary stated that in June, 1958, the Superintending Engineer had reported to the Chief Engineer on a number of points on which he wanted orders. He had also reported, without specifically seeking orders, that the contractor was responsible. The Chief Engineer had passed orders on other points and did not pass orders on the specific question of recovering the amount. The Chief Engineer thought that the Superintending Engineer had already reported to him that the recovery would be made. The witness added that if the recovery had not been made that was a matter which had to be checked.

8.179. In reply to a question, the witness admitted that it was a fact that the Department had failed and that no follow up action was

taken between June, 1958 and October, 1965. After the Audit Report the Department had asked for the explanation of the Chief Engineer as to why the amount had not been recovered. In reply to another question, the Chief Engineer (B. & R.) stated that it was actually lost sight of.

8.180. The Committee desired to know whether any procedure had now been evolved to avoid such lapses. The Secretary stated that the Department had tightened up the control. The Department was more strict about the enforcement of contract conditions. Generally, Government also disapproved any extra payment.

8.181. The Committee desired to be furnished with a note as to when and how the payment vouchers were passed in this case and whether the final payment had been made; or the bill was under objection. The information furnished is at Appendix LV.

The Committee feel unhappy to note that even though the Department had concluded that the cracks occurred due to negligence of the contractor, no action was taken for about 7 years between 1958 and October, 1965 to recover the amount spent by Government in rectifying the defects. The Committee desire that serious notice of such negligence and lapse on the part of officers concerned should be taken and responsibility should be fixed in this case.

Name of work	Particulars of infructuous expenditure	Remarks of Government Department
(1)	(2)	(3)
8.182		
(c) Constructing a foot-bridge across the Mamom river below Erappupalam Dam—Buildings and Roads Division, Trivandrum; Estimated cost: Rs. 13,980.	In May, 1960, while concrete was being laid for the deck slab of a foot bridge, the Department noticed a tilting of the structure. Certain protective works were undertaken and the bridge was completed in June, 1960 at a cost of Rs. 13,503. But further tilting began to occur in June, 1961 and ultimately the bridge itself collapsed in July, 1962. The Department attributed the mishap to insufficient foundation of the piles and scouring of foundation due to the	The matter was reported to Government, in September, 1964; their reply is awaited (April 1965).

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curve of the river at the site. It may be mentioned that as early as September, 1959, the Superintending Engineer had expressed doubts about the adequacy of the depth of the piles (6½ ft. and 9½ ft. below the level of the river bed).

To an enquiry by Audit, the Executive Engineer stated in July, 1964, that the work had been carried out by the contractor strictly in accordance with specifications and departmental instructions.'

8.183. Explaining the position in this case, the Secretary stated that the Executive Engineer was responsible for carrying out the work. In 1959, the Superintending Engineer had expressed doubts about the works. The Executive Engineer thought that he could go ahead with the works. He tried some protective works also which had failed. The witness stated that he could not offer any extenuating circumstances. In reply to a question, the witness stated that action would be taken against the Executive Engineer. On being asked whether any notification was issued to the effect that the bridge was dangerous when the defect came to the notice of the department, the Chief Engineer (B. & R.) stated that it was not actually a case of tilting. It was only a sag in the concrete work because the support given was not quite tight. So it was moved down a little bit and it was not a serious defect at all. Only during the following floods there was a tilt of about 1-1/3 inch on one side and 2 inch on the other side. Protection of the bridge was thought of and before that could be done, sudden floods came and the bridge collapsed.

8.184. The Committee are perturbed to note that although the Superintending Engineer had expressed doubts about the works, the Executive Engineer thought it fit to go ahead with them. As no extenuating circumstances exist for justifying the action of the

Executive Engineer, the responsibility rests squarely on the Executive Engineer. The Committee desire that suitable action should be taken against him.

Expenditure on staff attached to idle vehicles—para 50, page 63, (Audit Report, 1965).

8.185. Three lorries and two rollers attached to the Buildings and Roads Division, Cannanore had been lying idle (August, 1964) for periods ranging from 15 to 34 months, a lorry awaiting disposal (being unserviceable) and others awaiting major repairs. The crew attached to them were, however, retained in service without work against their originally sanctioned posts for periods ranging from 8 to 25 months, after which period they were either transferred to other Divisions or their services were utilised otherwise. The expenditure on their pay and allowances during the periods they remained attached to the idle plants amounted to Rs. 11,902.

8.186. The Committee desired to know as to how the crew attached to lorries/rollers were retained in service when the vehicles were awaiting disposal/repairs and were off the road. The Chief Engineer (B. & R.) stated that the crew could not be found alternative employment or they had to be transferred against vacancies. They were sent as soon as the alternative employment became available. In regard to the vehicles, the witness stated that except one or two vehicles the other vehicles were now being repaired.

8.187. The Committee desired to be furnished with further information on the following point:

Were the orders of Government dated 11th November, 1963 (No. 483-MS Trivandrum) relating to Cleaners and Drivers of vehicles followed in this case?

The information has been furnished and is at Appendix LVI.

The Committee trust that in such cases efforts would be made to utilise the services of surplus staff elsewhere instead of keeping them completely idle.

Loss of revenue due to erroneous grant of exemption, para 64 pages 79-80 (Audit Report, 1965).

8.188. According to a notification of Government issued in October, 1958, quarrying by contractors engaged by Government departments will be free of seigniorage fee if a Gazetted Officer in control of the work certified that the cost of material quarried had

not been included in working out the data rate for the items of work covered by the contract. Two contractors who supplied sand quarried from the Gayatri river for the construction of Pothundy Dam during the period March, 1962 to December, 1963 quoted rates for the work inclusive of the cost of sand. The Tahsildar, Chittoor, however, exempted them from payment of seigniorage fee by an order issued in January, 1964 on the basis of the certificate of the Assistant Engineer-in-charge of the work, that the contractors' rates were exclusive of seigniorage fee. The concession was available only when the rates were not inclusive of the cost of sand; the Department had thus lost a revenue of Rs. 18.218 by way of seigniorage fee on the quantities of sand paid for upto end of February, 1964. Remarks of the Chief Engineer, General and Irrigation to whom the matter was reported in April, 1964, have not been received so far (April, 1965).

8.189. The Committee desired to know as to (i) how the exemption from the payment of seigniorage had originated and (ii) whether there was any application from the contractors. The Secretary, Public Works Department stated that under the provisions of the Land Conservancy Act, the Village Officer of the village and the Revenue Inspector took up the case against the contractor for unauthorised lifting of sand during the last week of April, 1963. The contractor had stated to the revenue authorities that the sand had been lifted for the purpose of the Pothundy Dam project. Immediately, the Tahsildar had referred the matter to the Executive Engineer asking whether there was any provision for exempting the contractor from the payment of seigniorage charges. The Executive Engineer had informed the Tahsildar at that time that even in the tender, it had been provided that the contractor would be allowed exemption from any seigniorage charges. The witness added that it was provided as per clause 26 of the tender notice. On being pointed out that not all the contractors were entitled to exemption but only such contractors, in whose case it can be certified that the cost of material quarried had not been included in working out the data rate for the items of work, the Chief Engineer (G. & I.) stated that the sand was taken only from Government 'Poramboke' and the rate was exclusive of any seigniorage. On being asked whether it was not a fact that the Chief Engineer, Buildings and Roads had confirmed on 20th October, 1965 that the Schedule of rates for 1961-62 included the cost of sand, the witness stated that the schedule included the cost of sand taken from the river bed. On being pointed out that the seigniorage should be charged, if it included the cost of sand the witness stated that no seigniorage was

charged for taking sand for Government purposes from Government 'porambokes'. In the tender, the quarry was proposed at the river bed which was Government 'poramboke'. The Secretary further added that the real point here was that the information given to the revenue authorities was that the data did not provide for the inclusion of seigniorage. It had provided for the labour, transport etc. and not the seigniorage element.

8.190. The Committee pointed out that when the tenders were invited, it was not specified that the contractor would be given sand free of seigniorage charges; when the contractor tendered that element was taken into consideration, whereas in actual practice, it was not charged. Further, the contractor had quarried sand from March, 1962 to December, 1963 and the notification was issued only in January, 1964. The Secretary informed the Committee that the report of the Collector was that the contractor was booked by the Revenue authorities in April, 1963 for illegal lifting of sand and this was referred to the Executive Engineer, Pothundy Division by the Tahsildar. The Chief Engineer had replied "I have to inform that as per paragraph 20 of Government Notification, Revenue (d) Department, No. LRD-4-18737/57/Rev. dated 14th October, 1958 there is a provision to exempt the contractor, from seigniorage charges, if they are producing a certificate from an officer who is incharge of the work, to the effect that the departmental data rates, for the collection of materials do not include the provision for seigniorage charges."

8.191. The witness further added that a certificate was given under the above notification of 1958 on 1st October, 1963. On being asked about the necessity for issuing another notification, in 1964, the witness stated that in the 1958 notification there was provision for exemption, but the contractor had to be exempted again by a specific notification.

8.192. The Committee desired to know whether the tender price had included the cost of sand when the contractor gave the tender. The Secretary stated that according to the Chief Engineer's letter dated 31st December, 1964, the rates were exclusive of the seigniorage and included only the cost of labour charges for collecting sand from the river bed. No separate provision was included in the data for seigniorage for collection of sand.

8.193. The Committee drew the attention of the witness to the letter of the Chief Engineer, P.W.D. and pointed out that the rate provided for river sand vide item 56 of the Schedule of rates for

1961-62 was for the river sand to be used for preparing mortar. The rate provided was the market rate at the site of collection for the sieved sand clean, sharp and dry and this included cost and sieving charges. The witness stated that if it was market rate, it would include seigniorage charges and if it was only labour, it would not include the seigniorage. Referring to the clarification of the Chief Engineer, the witness stated that the Chief Engineer had given the clarification for the purpose of mortar. The only point was that when giving the estimates, the data worked out did not include the seigniorage according to the report of the Chief Engineer. The witness added that in the light of the statement of the Chief Engineer, Buildings and Roads, the matter had to be verified. In reply to a question, the witness stated that the rates quoted were inclusive of the cost of sand. The point was whether in taking the cost of sand, the contractor had taken into account the seigniorage. If according to clause 26, the contractor was to be exempted from the payment of seigniorage, the same exemption might have been taken to have been applicable for sand also. In reply to a question, the witness admitted that the mistake could have occurred.

8.194. The Committee are surprised to note that when the tenders were invited, it was not specified that the contractor would be given sand free of seigniorage charge. The contractor was quarrying sand from March, 1962 to December, 1963 whereas the notification was issued in 1964 under the Government Notification of 1958 exempting the contractors from the payment of seigniorage charges.

8.195. In evidence it was stated that when giving the estimates, the data worked out did not include the seigniorage charges according to the report of the Chief Engineer. The Committee desire that the statement of the Chief Engineer, Buildings and Roads, may be verified from the data sheets and a report submitted to them.

Loss of revenue, para 65, pages 80 (Audit Report 1965):

8.196. In May, 1960, Government constructed two godowns at the Quilon minor port at a cost of Rs. 1.49 lakhs with a view to providing storage facilities for the Bombay merchants who were expected to import raw cashew nut through the Quilon Port. (The permanent importers and exporters of the Quilon Port were reported to have their own storage facilities). But no Bombay merchant imported the raw cashew nut through the Quilon Port with the result that the godowns constructed for their exclusive use remained unoccupied for long periods. One of the godowns which remained vacant till the 16th March, 1962 was, therefore, let out to the Central Warehousing Corporation at the standard rent of Rs. 492 per mensem

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while the other was leased to M/s. South India Corporation Ltd., with effect from the 8th February, 1964 at Rs. 600 per mensem. (Prior to this, the godown was used for storing transit cargo for short periods fetching in all a sum of Rs. 161 only). The loss of revenue during the period the godowns remained unoccupied amounted to about Rs. 32,803 on the basis of the standard rent of the godowns.

8.197. The Committee desired to know whether there were applications from the Bombay merchants for the provision of godowns at Quilon. The Secretary stated that the question arose from a letter from the President of the Quilon Port Workers Union, Cochin to the Minister for Public Works, Government of Kerala on 10th May, 1958. The President of the Quilon Port Workers' Union had submitted in his petition that the workers in Quilon were not getting enough work because there was no unloading of steamers and had made three suggestions that—(i) a pier might be constructed; (ii) 2 or 4 godowns might also be constructed on Government land and (iii) the system of sub-contractors, middlemen etc. should be eliminated. The petition was considered by the Minister at a Conference held on the 27th June, 1958. The representative of the Quilon Merchants' Association, and the President of the Quilon Port Workers' Union were present at the Conference. On being asked whether the Bombay merchants were represented, the witness stated that no Bombay merchant was present. When the Committee pointed out that the Bombay Merchants were not present at the Conference when the decision to construct the godowns was taken, the witness stated that the Bombay Merchants had a tight hold upon the Cashewnut trade and those people had negotiated with the West Africans. It was thought that it would be advisable, if one or two of the Bombay merchants could be persuaded to come there. The witness however added that this might have been the impression and stated that there was no record of any traffic survey or anything having been conducted. Pucca construction of godowns had not been made and only some transit godowns of semi-permanent nature were decided to be constructed. In answer to a question, the witness stated that it was not clear that the Bombay Merchants would need the storage. The witness further stated that the Bombay Merchants did not approach the Government nor were those merchants consulted.

8.198. The Committee desired to know whether the construction of the godowns was given to any Co-operative Society. The witness stated that the fact had to be verified. In that connection, the Committee desired to be furnished with a detailed note about the contractors. The note furnished is at Appendix LVII.

8.199. The Committee pointed out that the main representatives for whom the godowns were being constructed were not present at the conference, and desired to know how the Department knew the needs of Bombay Merchants. The witness stated that normally in such cases, if the local businessmen thought that the extra facility would mean any extra concession to somebody else, they would have stated that this would affect them adversely. No such representation was made and no objection seemed to have been taken by any person who was present at the Conference.

8.200. The Committee pointed out that there was no question of any businessman raising any objection, if the Government wanted to construct godowns in Quilon or Cochin. The Department had a definite scheme of diverting some cargo or business from Cochin to Quilon. In retrospect the objective was not carried out and the planning was not proper. The witness stated that the construction of godowns was just an *ad hoc* decision. On being asked whether the Department could spend money on *ad hoc* decisions, the witness stated that the godowns had been vacant only for two years. The Committee pointed out that the godowns might be vacant only for two years or might not have been vacant, but the objectives for which the godowns were constructed had not been served. In reply to a question, the witness stated that there was nothing in the file to indicate that some communication was sent to Bombay merchants either before or after the godowns were constructed, to the effect that the godowns were being made available to them for their use.

8.201. The Committee are unable to understand as to how the Government gathered the impression that the Bombay merchants would utilise the Quilon Port instead of Cochin Port. It is all the more surprising that at the conference held on the 27th June, 1958, no Bombay merchants were present for whose benefit the construction of godowns was stated to have been undertaken. Neither did they approach the Government for such a facility. It was also not clear to the Department whether the Bombay merchants would need the storage facilities or not. Further, no traffic survey also was conducted to find out as to how far the construction of godowns would benefit the merchants engaged in the cashewnut trade.

8.202. The argument that the local business community did not make any representation or raise any objection in regard to the construction of godowns for the benefit of Bombay merchants is hardly relevant. Actually no Bombay merchant imported raw cashewnut through the Quilon Port with the result that the godowns constructed for their exclusive use remained unoccupied for long periods.

8.203. The Committee are further surprised to note that even after the construction of godowns, the Government did not take any steps to notify the Bombay merchants that the storage facilities would be available at the Quilon Port.

8.204. What is more unfortunate is the fact that while it was stated in evidence that the construction of godowns was just an ad decision, in the note furnished to the Committee later, it has been stated that the construction of the two godowns at Quilon was taken up as a part of long term plan for the development of the Quilon Port by providing adequate storage facilities at the port area and not to serve the interests of Bombay Merchants alone. The Committee regret that this fact was never mentioned either to Audit or to the Committee in the course of evidence. It is obvious that no realistic assessment of the requirement of storage facilities for the Bombay merchants at Quilon was made, as a result of which the two godowns remained unutilised for nearly two years or more resulting in loss of revenue to the tune of about Rs. 32,803.

State Transport Department (Now Kerala State Road Transport Corporation) Para 87, pages 104—107 (Audit Report, 1965)

8.205. The State Transport Department is a major commercial undertaking of the State Government. The department consists of two wings viz., (i) Road Transport and (ii) Water Transport.

1 (i) *Road Transport*.—The passenger fares were increased by about 20 per cent from the 1st July, 1963 to meet the increased cost of operation. Despite this increase in the passenger fares, the working of this section during 1963-64 resulted in a net profit of only Rs. 28.65 lakhs compared to a net profit of Rs. 39.50 lakhs during 1962-63. The decrease in profits (Rs. 10.85 lakhs) was attributed to a drop in the number of passengers by about 15 per cent, probably due to the increase in fares.

8.206. A comparative statement showing the capital outlay, receipts, expenditure route mileage etc., during the four years ended the 31st March, 1964 is given below:—

Particulars	1960-61	1961-62	1962-63	1963-64
1. Capital (in lakhs of rupees)	3,54.24	3,73.67	4,23.62	4,94.34
2. Receipts (in lakhs of rupees)	2,94.18	3,61.95	4,34.40	4,76.90

Particulars	1960-61	1961-62	1962-63	1963-64
3. Expenditure (in lakhs of rupees)	2,84.01	3,30.39	3,94.70	4,48.25
4. Profit (in lakhs of rupees)	10.17	31.56	39.50	28.65
5. Route mileage (in lakhs of miles)	2,63.36	3,04.70	3,48.56	3,68.09
6. Number of schedules	499	590	646	687
7. Fleet strength	600	617*	704*	704*
8. Revenue per mile (in paise)	112	119	124.57	130
9. Expenditure per mile (in paise)	108.10	108.60	113.24	122
10. Profit per mile (in paise)	3.90	10.40	11.33	8
11. Percentage of profit on capital (excluding interest)	2.9	8.4	9.3	5.8

*These figures include only road-worthy vehicles.

8207. Explaining the reasons for the decrease in the net profits, the General Manager, Kerala State Road Transport Corporation informed the Committee that the total number of passengers carried in 1962-63 was 1,337 lakhs and in 1963-64, it was 1,205 lakhs making a difference of nearly 132 lakhs of passengers. That was because immediately after the fare increase was announced, there was a State-wide agitation as a result of which, operations had to be curtailed very much for a period of about 1 to 2 months. On being asked about the present position, the witness stated that the total number of passengers carried in 1964-65 was 1,401 lakhs i.e. about 200 lakhs more passengers. Normal pattern of traffic was restored after people became accustomed to paying the higher fare. The witness further added that the profit was only Rs. 25 lakhs in 1964-65. On being pointed out that the profits had gone down, the witness stated that it was due to the increase in the operational costs as a result of increased taxation. The tax on high speed diesel oil had gone up from 60 p. to 91 p. per litre. In reply to a question the witness stated that the expenditure per mile now was 136 p. whereas formerly it was about 120 p. On being pointed out that the main

reason for the difference in the earnings was also due to some adjustment of interest charges on reserve fund, the witness stated that the State Transport Undertaking was maintaining a general reserve from the very beginning. That had accumulated upto about Rs. 51 lakhs. The Accountant General had pointed out that there was no necessity for a general reserve and that it should be added back to capital, which was done. Again in 1963-64, the Accountant General had stated that not only the corpus of the fund but also the interest which had been given from year to year should be returned to capital. That had amounted to Rs. 9 lakhs. As a result of that there was a reduction of about Rs. 9 lakhs in the profit for the year 1963-64. If that Rs. 9 lakhs was added to the profit of Rs. 28.65 lakhs, it would be more or less the same as the profits for 1962-63.

8.208. In reply to another question, the witness stated that the transfer of assets and liabilities had been effected on the 1st April, 1965.

8.209. While appreciating that the margin of profit had decreased due to the increased cost of operation, as a result of increased taxation, the Committee hope that with the increase in the passenger traffic, the profits of the State Transport Undertakings would show an increase.

(ii) *Obsolete/Surplus Stores*: Mention was made in paragraph 41 of the Audit Report, 1961 of the stocking of surplus and obsolete spare parts of vehicles. In January, 1963, the Public Accounts Committee were informed that surplus holdings of spare parts of out-moded vehicles were being assessed again for exploring the possibilities of their immediate disposal. The assessment has not been completed (November, 1964) despite the appointment of special staff for the purpose in March, 1964. The Department stated in September, 1964 that revised proposals for the disposal of the surplus and obsolete spare parts were under consideration of Government. The value of such stores included in the accounts amounted to about Rs. 9.50 lakhs.

8.211. Explaining the position in regard to the disposal of obsolete / surplus stores, the General Manager, Kerala State Road Transport Corporation stated that the Corporation had already prepared a complete inventory of all the surplus stocks and by a system of open sales, the Corporation had been able to dispose of stores worth Rs. 1.5 lakhs out of a total of Rs. 9.5 lakhs. In regard to the balance, the Corporation had sought the help of DGS&D. The spare parts had accumulated in the course of 28 years and there had been a number of changes in the type of vehicles.

8.212. The Committee hope that early steps would be taken to dispose of the unserviceable stores, still lying with the Department. The Committee are concerned to know that these surpluses have accumulated over a period of 28 years.

8.213. (vi) Arrears of revenue: At the end of March, 1964 an amount of Rs. 24.15 lakhs remained as arrears of revenue pending collection according to the Demand, Collection and Balance Statement; but the balance included under 'sundry debtors' in the balance sheets as on the 31st March, 1964 was Rs. 23.16 lakhs only; the discrepancy has not been reconciled. The arrears include Rs. 2.50 lakhs in respect of private hire, Rs. 13.67 lakhs in respect of Post Mail subsidy and Rs. 4.12 lakhs on account of job works. Some of these arrears date as far back as 1951-52.

8.214. The Committee desired to know whether the discrepancy of figures noticed between the Demand, Collection and balance statement and the balance sheet had been reconciled. The General Manager, Kerala State Road Transport Corporation stated that the difference was now Rs. 2.11 lakhs. On being asked about the steps taken to reconcile the figures, the witness stated that probably some items for which recovery had already been made were not entered in the Demand, Collection and Balance Statement and so there was a difference between the balance sheet and the D.C.B. The Corporation might have to do special audit and attempt to reconcile the difference. The witness added that it was not a question of loss, but it was actually question of surplus. On being asked whether a decision had been taken in regard to special audit, the witness stated that the difference was about Rs. 2 lakhs and the Corporation would try to reconcile the difference.

8.215. The Committee desire that immediate steps should be taken to reconcile the discrepancy of figures noticed between the Demand, Collection and Balance Statement and balance sheet and a report submitted to them. It should also be ensured that all necessary entries in the Demand, Collection and Balance Statement are made in time so as to avoid discrepancies.

8.216. The Committee desired to know the present position in regard to the arrears of amounts outstanding as on 31st March, 1964. The witness stated that the Post Mail subsidy was the main item. Mail was being carried for the postal department since 1951. But there had been no agreement regarding the rate at which this work had to be paid for. In 1964, the Chief Secretary had convened a conference in which it was agreed that the Corporation would present the claims on the basis of a certain formula. That formula had

to be accepted by the D.G.P. & T. and the approval had not been received. So the whole amount was still pending. The Corporation had presented bills for Rs. 6 lakhs to the Postal Department on the basis of the agreed formula. Since the acceptance of the D.G. had not been received, no payments had been made. In reply to a question, the witness stated that the Department was following its own formula in charging for the service and on that basis the Deptt. had been including the amounts in their accounts. In reply to another question, the witness stated that based on the agreed formula, the Corporation had worked out a bill and that bill was presented this year (1965).

8.217. The Committee desired to be furnished with further information on the following point:

Whether any bills were prepared and presented earlier than 1964 on the Department's formula? If so, when. The information has since been furnished and is at Appendix LVIII.

8.218. From the note, it is seen that the State Transport Department had sent their invoices on 14th March, 1953, 19th May, 1953 and 20th March, 1959. Although the invoices were returned unaccepted as they were not prepared on any agreed and accepted formula, the Postal Department, have however made two *ad hoc* payments of Rs. 6 lakhs in 1958-59 and Rs. 1,70,000 in 1960-61 to be adjusted on final fixation of the rate of subsidy.

8.219. Further it is also seen that after the conference, bills to the extent of nearly Rs. 8 lakhs have been prepared and sent to the postal department and the remaining bills would be sent in due course to the Department.

8.220. The Committee feel that there has been inordinate delay in arriving at a satisfactory and a mutually acceptable solution in regard to the settlement of the claims. The difficulties were not of such insurmountable nature as to justify a delay of over 14 years. The Committee also feel that there was a further delay in actually rendering the invoices after the decision of the conference in April, 1964.

8.221. The Committee would like to be informed of the progress of the settlement of claims through the subsequent Audit Reports.

8.222. In regard to the arrears in respect of private hire, the witness stated that vehicles of the Department were hired by other Departments of Government or private parties and the charges were realised according to the ~~stated~~ rates. On being asked whether

the charges were not realised in advance, the witness stated that during the time of elections, a large number of vehicles had to be supplied for polling persons and also to police personnel. Claims were made, but the Departments might have their own difficulty regarding budget provision and some amounts were kept pending.

8.223. From the note (Appendix LIX) furnished at the instance of the Committee, it is seen that the dues outstanding as on 31st March, 1965, collections till 30th November, 1965 and balance as on 1st December, 1965 in respect of private hire, bus warrants, job works and other items are as follows:

	Outstanding on 31-3-1965	Collections till 30-11-1965	Balance as on 1-12-1965
Private Hire . . .	2,74,949·07	1,92,692·58	82,256·49
Bus Warrants . . .	1,01,017·90	38,506·81	62,511·09
Job Works	4,22,166·35	1,45,076·50	2,77,089·85
Other Items . . .	6,419·81	Nil	6,419·81
	8,04,553·13	3,76,275·89	4,28,277·24

8.224. It is also seen that out of Rs. 82,258.49 p. outstanding as on 1st December, 1965 in respect of private hire, an amount of Rs. 80,548.75 p. is outstanding against the various Departments of the Government and an amount of Rs. 1,707.74 p. is outstanding against the various private parties.

8.225. The Committee suggest that vigorous steps be taken to clear the dues outstanding.

8.226. The Committee find no reason why there are arrears under private hire when there are already rules requiring the collection of hire charges in advance whenever buses are hired out to private parties. The Committee desire that the rules in this regard should be strictly enforced.

8.227. (viii) *Refund of vehicle tax*: The Department has to pay vehicle tax like other motor transport operators and the taxation rules permit refund of the tax paid for periods during which the vehicles are not ~~operated~~. Such refund claims aggregating Rs. 2·04

lakhs for the period 1957-58 to 1959-60 were rejected by the Motor Vehicles Department on account of the failure of the Department to intimate the non-operation of the vehicles and also the date of putting the vehicles back into operation to the concerned Transport Authority.

8.228. The accounts for 1963-64 take credit for Rs. 4.67 lakhs towards refund of vehicle tax due from October, 1959 to March, 1964. But the amount has not been admitted or confirmed by the Motor Vehicles Department so far as in some cases, the satisfaction of the prescribed formalities is said to be under correspondence.

8.229. In regard to the refund of vehicle tax, the General Manager, Kerala State Road Transport Corporation informed the Committee that as soon as a vehicle was withdrawn from operation and sent to workshop, the R.T.O. should have been informed. Evidently that had not been done in the previous years and the Corporation might not be able to give any satisfactory evidence to R.T.O. about the withdrawal of vehicles from operation and sending them to workshop. On being asked about the steps taken in that regard, the witness stated that whenever a vehicle was withdrawn from operation, a report was sent to the R.T.O.

8.230. The Committee pointed out that the statement that persons concerned might not be able to give explanations was not satisfactory. The explanations of the persons concerned should be on record and the Department could thereafter decide whether to take action or not. The witness stated that the things had happened long ago and the officers who were responsible might not be in service and might have retired.

8.231. The Finance Secretary informed the Committee that there was a defect in the system. When a vehicle was sent to the workshop, it was expected that it would be returned in a week's time. Instead, the workshop might take another 15 days or 20 days. Refunds were not obtainable for periods less than a month.

8.232. In reply to a question, the General Manager, Kerala State Road Transport Corporation stated that a log book was maintained for the vehicle. In reply to another question, the witness stated that a payment at the beginning of the year was made for all the vehicles owned by the Department which was a block payment. At the end of the year, a statement was given regarding the number of vehicles actually operated during the period. If it was found that excess had

been paid, then a refund was claimed. As soon as that was verified, the amount was paid back.

8.233. In answer to a further question, the witness stated that a special staff had been appointed to collect all the necessary details and for the year 1964-65 and for the current year, it should be possible to present a claim which was capable of verification. The witness further added that it was expected to get a refund out of Rs. 4.67 lakhs. The Committee were further informed that on the conversion of the Undertaking into a Corporation in April, 1965, it was working on a commercial system and efforts were being made to get the refund.

8.234. In this case, due to failure to comply with the formalities in regard to the operation of the vehicles the tax refunds could not be obtained from the Transport Authority. The argument that the Corporation would not be able to furnish satisfactory evidence to R.T.O. is hardly convincing. It should have been possible for the Corporation to collect the details from the log book and furnish the same to the Transport Authority.

8.235. The other disturbing factor is that the Corporation has not considered it necessary to call for the explanation of the persons concerned for the failure.

8.236. The Committee hope that suitable steps would be taken to remove the defect, if any, in the system. They also desire that necessary instructions be issued in this regard and suitable action taken against the persons who fail to comply with the instructions.

8.237. The Committee note that special staff had been appointed to collect all the necessary details for the year 1964-65 and for the current year and it would be possible for the Corporation to present a claim which would be capable of verification. They hope that claims for refunds will not be allowed to fall into arrears in future.

8.238. *Water Transport:* Transport by the water is confined to operating some passenger ferry services in the 'Ernakulam-Cochin' area and the working of this wing resulted in a loss of Rs. 1.81 lakhs during the year ended March, 1964, compared with a loss of Rs. 1.72 lakhs in 1962-63. The following table shows a summary of the

working results for the 5 years ended March, 1964:

Year	Capital	Earnings (In lakhs of rupees)	Expenditure	Net loss
1959-60	7.88	5.84	6.17	0.33
1960-61	8.49	5.80	7.50	1.70
1961-62	7.79	5.36	7.30	1.94
1962-63	7.49	5.83	7.55	1.72
1963-64	6.95	6.05	7.86	1.81

The recurring loss is due to the following factors:—

- (i) Non revision of fares to meet increased working expenses and allowing concessions in fares;
- (ii) Issue of free passes to students;
- (iii) Disproportionate expenditure on establishment (over 50 per cent of the total expenditure and more than two third of the total revenue);
- (iv) Inordinate delay in repairing and commissioning of departmental boats which necessitates uneconomic hiring of private boats to maintain the services. In one case a boat sent to docks for repairs in March, 1962 was re-launched after about 18 months in September, 1963. The expenditure on hire of boats during 1962-63 and 1963-64 aggregated Rs. 0.80 lakh.

8.239. The Committee desired to know the net loss for the year 1964-65 under this wing. The General Manager, Kerala State Road Transport Corporation informed the Committee that the loss was Rs. 2.5 lakhs for the year 1964-65. On being asked about the reasons for the loss every year, the witness stated that out of four reasons given in the audit para the first reason was that the fare was quite uneconomical. In reply to a question, the witness stated that the fare was fixed in April, 1958. On being asked about the steps taken to revise the fare, the witness stated that immediately after the Corporation took over, fares were rationalised to some extent and an income of Rs. 1.50 lakhs was expected in the full year.

8.240. The Committee desired to know whether the issue of free passes to students was on a commercial basis. The witness stated that the transport was formerly run by the private operators. During that period, free passes to all the students were allowed. It came as a legacy after it was taken over by the Government. Even now students were being transported free. On being pointed out that if it was an old legacy, that could not be the reason for the loss, the witness stated that the number of educational institutions had increased and there was a larger number of students to whom free passes were issued. In reply to a question, the witness admitted that the concession to students was one of the contributory factors and it was not the main item.

8.241. In regard to the disproportionate expenditure on establishment, the witness stated that under the canal rules, a certain standard crew had to be maintained for each boat and on an average 9 to 10 people had to be employed. The number was fixed on the capacity and the length of the boat. In answer to a question, the Secretary, Public Works Department stated that from the point of view of safety that number was required and the rule did not require any change. In reply to a question, the General Manager, Kerala State Road Transport Corporation stated that there was no over employment. On being asked whether it was the contention that from the time when these rules were framed, the Department was making a loss, the witness stated that the cost of establishment on this transport was much more than the cost of the road transport. The Secretary, Public Works Department added that the cost of labour had also gone up. In reply to a question the witness stated that if the fares were increased there would be agitation. The Department wanted to raise the fare to a reasonable level so as to make a profit. if it had been done, the Department would have been faced with a lot of agitation. The fares had been increased slightly during 1965-66.

8.242. In regard to the delay in repairing and commissioning of departmental boats which had necessitated the uneconomic hiring of private boats to maintain the service, the General Manager, Kerala State Road Transport Corporation stated that the boat was sent to the docks early in July, 1962. It was found that the boat could not be repaired but had to be completely reconstructed. In regard to the hiring of boats, the witness stated that the Department was hiring private boats at 125 p. per passenger. The operational cost of the Department's transport was 148 p. In reply to a question, the witness stated that after the Corporation took over, a new boat had already been constructed and another was under construction.

8.243. The Committee are perturbed to note that the loss under this wing is increasing year after year and the loss for the year 1964-65 is of the order of Rs. 2.5 lakhs.

8.244. The Committee suggest that it should be examined what economies, administrative or otherwise, should be affected in the service, so as to eliminate losses. The Committee also suggest that the feasibility of introducing concessional tickets for students may also be examined.

8.245. The Committee also desire the Department to examine whether the canal rules which were framed several years ago require any amendment particularly in regard to maintenance of the crew. If so, suitable steps should be taken immediately in that direction.

Incorrect interpretation of orders of Government, para 89, page 108, (Audit Report, 1965).

8.246. The Director of Transport interpreted incorrectly an order of Government issued in July, 1958 revising the scales of pay of the employees of his Department from 1st April, 1958 and fixed the initial pay of about 700 official reckoning service on daily wages as service qualifying for increment for the purpose of weightage, which the Government order did not envisage. This entailed a recurring extra liability of about Rs. 44,400 per annum.

8.247. When Audit pointed out in June, 1959 the irregular fixation of pay, the Department did not act to rectify the mistake promptly and in March, 1961 stated that as the amount overpaid till then exceeded Rs. 1.20 lakhs, recovery thereof would have "repercussions" in the Department. Audit then suggested in March, 1962 that at least the undue increase in pay might be neutralised by absorption in future increases, to reduce the future recurring liability. But this was also not accepted by Government (April, 1963) on the ground that "in the interest of industrial peace it would be better not to disturb the pay of more than 700 employees which was fixed four years ago." Though Government viewed the action of the Director of Transport as "highly irregular" no action was taken against the officers responsible.

8.248. The Committee desired to know as to (i) what were the reasons for not taking prompt action when the irregular fixation of pay was brought to notice by Audit in June, 1959 and (ii) what were the circumstances under which the Government instructions were wrongly interpreted. The General Manager, Kerala State Road Transport Corporation informed the Committee that there was a

pay revision in 1955. The particular category namely the daily rate category were engaged on daily rates. Though they were engaged on daily basis, they were more or less permanent. Some of them had been working for 10 or 15 years. In the pay revision order of 1955, it was specifically mentioned that the previous continuous service of these daily rates staff could also be taken into account for giving weightage. In 1958 another pay revision took place and in that order there was no specific mention, whether the continuous service of daily rated people could also be taken into account for the purpose of weightage. The Department had presumed that on the basis of what had happened in 1955, in 1958 also this service could be taken into account and the pay was fixed on that basis. That was how the pay was fixed on a different interpretation of the Government order. In reply to a question, the witness stated that the pay was fixed by the head of the department. On being asked whether it was not proper to have sought clarification from the authorities who had issued the orders rather than to interpret orders on presumption, the Secretary Public Works Department stated that the Department had asked the explanation of the officer who had fixed the pay. He had stated that the orders were issued considering the peculiar nature of the Deptt. Some benefits were extended in the light of the spirit of the previous Government order. In reply to a question, the witness stated that the responsibility had not been fixed for increased fixation of pay. The officer had been told that increased fixation of pay was highly irregular.

8.249. In regard to the delay in sending replies to audit, the witness stated that the Department might have accepted the audit point and reduced the pay. But it would have resulted in strike and agitation throughout the State. It was treated as an exceptional case in the public interest.

8.250. The Committee consider it highly improper for the Deptt. to have fixed the pay on a different interpretation of the Govt. order, on presumptions, without seeking the clarification of the orders relating to fixation of pay from the authorities, who had issued the orders. They desire the Finance Department to issue necessary instructions in this regard to avoid recurrence of such instances.

8.251. They hope that this case would not be treated as a precedent for regularising irregular fixation of pay in future.

IX

STORES PURCHASE DEPARTMENT

Extra expenditure, para 37, page 45 (Audit Report, 1965).

9.1 In June, 1961, the Stores Purchase Department entered into a rate contract for one year from the 20th June, 1961, with a contractor for the supply of charcoal to various institutions in mofussil centres outside Trivandrum at the rate of Rs. 6.50 per 'para' (Madras) (this was done after inviting tenders; only the tender of this contractor had been received).

9.2 The period of contract was subsequently extended by six months on the same terms and conditions on the ground that purchases by Government during the original period of contract were only 7,993 'paras' (till May, 1962) as against the estimated quantity of 25,680 'paras'. It has been noticed in this connection that (a) the ceiling rate fixed by Government for local purchase by institutions in Trivandrum during the said six months was only Rs. 3.25 per 'para' and (b) certain institutions in the mofussil not covered by the rate contract had made local purchases of charcoal during the same period at varying rates not exceeding Rs. 3 per 'para' (these mofussil centres were in the same districts as were covered by the rate contract).

9.3 The extra expenditure owing to the extension of the rate contract in the mofussil centres (on 12,417 'paras' of charcoal obtained during the extended period) amounted to about Rs. 40,355 computed with reference to the ceiling rate of Rs. 3.25 per 'para' in Trivandrum and Rs. 43,460 with reference to the highest price (Rs. 3 per para) paid for local purchases by certain other institutions in the mofussil.

9.4 The Committee desired to know whether there was any legal obligation on the part of the Government to extend the period of contract which had entailed considerable extra expenditure. The Additional Secretary (Finance and Planning) stated that there was no such legal obligation on the part of the Government. On being asked about the circumstances under which the period was extended, the witness stated that the contractor had represented to the

Government that during the period of one year since the beginning of the contract, only 7993 'paras' had been taken by the various institutions as against the estimated quantity of 25,680 'paras.' The contractor had stated that he had made preliminary arrangements and had incurred a loss in stocking. The witness further added that during the period of one year, he had stocked the approximate quantity indented for by the institutions. The contention of the contractor was that unless the period of the contract was extended, he would suffer a loss.

9.5. On being asked as to why the entire quantity was not purchased before the contract period was over instead of extending the period of the contract, the witness stated that actually it was not to be purchased at one point. It was to be indented for by about 50 institutions spread throughout the State according to their own requirements from time to time.

9.6. In reply to a question, the witness stated that the fact that the market price had come down was known when the period of the contract was extended. He added that the representation of the contractor was considered by the Stores Purchase Committee which consisted of the Secretary incharge of the Stores Purchase Department, Joint Secretary (Finance) and the Chief Secretary. In the Departmental note submitted to the Stores Purchase Committee it was stated that the period of contract need not be extended. The Stores Purchase Committee also recommended that the period of the contract need not be extended. Actually, for not extending the contract this representation need not have been submitted for orders. But in the representation, there was an endorsement asking for the remarks of the Stores Purchase Committee and the remarks were given. The orders of the Government on the remarks of the Committee were that in view of the circumstances in which only 31 per cent of the quantity indicated in the contract had been taken by the institutions, it was only fair to give an extension to the contractor.

9.7. The Committee are unable to understand as to why the period of the contract was extended when there was no legal obligation on the part of the Government to do so, specially since the Department was aware of the fact that the market price had come down when the period of the contract was extended.

9.8. The ceiling rate fixed by the Government for local purchase by institutions in Trivandrum during the period was only Rs. 3.25 per 'para' of charcoal. Further, certain institutions in the

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mo-fussil not covered by the rate contract had made local purchases of charcoal during the same period at varying rates not exceeding Rs. 3 per 'para'. It is therefore surprising that the contract was extended at Rs. 6.50 per 'para' involving an extra expenditure of about Rs. 43,460. If it was considered necessary to extend the contract on compassionate grounds, the contractor should have been asked to supply charcoal at the prevailing market rate which was much less.

Text Books Office, Trivandrum, para 96(i), pages 113-14 (Audit Report, 1965):

9.9. *Avoidable expenditure on purchase of paper:* On the basis of tenders invited in August, 1962 for the supply of 50,000 reams of "D1 Crown White" paper for printing text books, the Controller of Stationery, Trivandrum arranged in November, 1962 for the supply of 20,000 reams only, with a local firm at the lowest acceptable rate of Rs. 1.73 per k.g. F.O.R. destination. Simultaneously, orders for the supply of the balance quantity of 30,000 reams were placed with a firm in Madras at a higher rate of Rs. 1.79 k.g. F.O.R. Departmental Stores as this firm had offered to commence supply within 15 days of supply order compared to the delivery period of 2 months required by the local firm. The order with the Madras firm had, however, to be cancelled on 1st December, 1962 and its earnest money of Rs. 15,000 forfeited, as it failed to commence supply within 15 days, as indicated in the tender, and to execute the agreement as stipulated in the supply order. In the meantime, the firm period of the local firm, with which the part supply of 20,000 reams had been arranged expired (24th November, 1962). Fresh tenders invited in December, 1962 failed to secure acceptable offers. On the basis of tenders called for a third time in February, 1963 orders were placed with a firm in Bombay for supply of 20,000 reams in March and June, 1963 at Rs. 2.45 per k.g. resulting in an extra expenditure of about Rs. 1.46 lakhs, compared with the lowest rate (Rs. 1.73 per k.g.) offered by the local firm in November, 1962.

9.10. The Committee desired to know as to (i) what were the circumstances which had led to the decision of the Government to split up the tender and (ii) why was the urgency of demand not indicated in the tender. The Additional Secretary (Finance and Planning) informed the Committee that this was one of the seven items for which the Controller of Stationery had invited tenders for paper that was required for printing of text books for the year 1963-64 at the instance of the Education Department. It was stated

in the tender that the supply should be made within two months. After the tender was received on 24-9-1962, it was opened on the same day. A meeting was convened by the Education Secretary on 4.10.62 which was attended by the Controller of Stationery, Superintendent of Government presses, the Director of Public Instruction and the Text Book Officer.

9.11. On being asked as to what happened between the 24th Sept. and 4th October, the witness stated that by that time the Controller of Stationery had tabulated the various tenders for all the seven items. At the meeting the various samples produced by the tenderers and the quantities that were offered by the tenderers were discussed. The lowest tenderer was a firm in Bombay who had offered only 6,000 reams (as against 50,000 reams) at Rs. 1.56 per k.g. The paper was found to be of very old stock and was of inferior quality and therefore it was rejected by the Superintendent of Government Presses, the Director of Public Instruction and the Text Book Officer. The next tenderer was a local firm who had offered at Rs. 1.73 per k.g. In reply to a question, the witness stated that the firm had offered to supply the entire quantity of 50,000 reams with sale tax, transport and other charges extra. The third lowest tenderer was a firm in Madras who had offered at Rs. 1.79 per Kg. The firm had stated that it would start delivery within 15 days. In view of the urgency to start printing, the Director of Public Instruction had stated at the discussion, that the printing should start within one month and a purchase of 20,000 reams from the Madras firm was recommended and 30,000 reams from the local firm so that in the first few weeks some quantity of paper might be obtained. The difference in rates between Rs. 1.73 and Rs. 1.79 actually had worked out to .01 p. and not .06 p. because the Madras firm's tender was F.O.R. Departmental Stores whereas the local firm's tender was with sales tax, transport and other charges excluded". That was computed at Rs. 1.78 for the local firm and Rs. 1.79 for the Madras firm. Since the difference was only .01 p. and in view of the urgency it was recommended that 20,000 reams might be obtained from the Madras firm. A recommendation to this effect was made by the Controller of Stationery which was examined by the Government, through the Stores Purchase Committee. Decision was taken on the basis of the situation then prevailing that 30,000 reams might be ordered from the Madras firm and 20,000 reams from the local firm. On being asked as to when the decision was taken by the Stores Purchase Committee, the witness stated that the Stores Purchase Committee could not decide because the cost involved was over Rs. 2 lakhs. It was submitted to the Minister-in-charge.

9.12. The witness further informed the Committee that the Stores Purchase Committee was reorganised due to certain complaints from the various departments who had pointed out the delay in the purchase of stores. In June, 1963, the whole question was considered by the Government and Departmental Purchase Committee had been formed after enhancing the powers of the heads of the Department. The Departmental Purchase Committee consisted of the Secretary of the Department as Chairman, the Head of the Department and a Member of Finance Department.

9.13. From the facts placed before them, the Committee have not found adequate justification for splitting up the tender and awarding a portion of the supply to a firm at a higher rate. The Committee are surprised at the manner in which this case has been dealt with. They note that the orders with the Madras firm had to be cancelled as it failed to commence supply within 15 days. In the meantime, the firm period of the local firm with which the part supply of 20,000 reams had been arranged also expired. Tenders were called for the third time and orders were placed with a firm in Bombay for the supply of 20,000 reams at Rs. 2.45 per k.g. which resulted in an extra expenditure of about Rs. 1.46 lakhs compared with the lowest rate of Rs. 1.73 per k.g. offered by the local firm.

9.14. From the notes (Appendix LX) furnished at the instance of the Committee, it is seen that apart from the present case the Government have modified /over-ruled the recommendation of the Stores Purchase Committee in respect of several cases. The Committee are of the opinion that there is no point in constituting a committee specially for a particular purpose if its recommendations are modified or overruled in a large number of cases by the Government.

9.15. The Committee hope that with the setting up of the Departmental Purchase Committee, such instances would not recur.

X

REVENUE DEPARTMENT

Non-realisation of dues in terms of an agreement, para 48, page 66-67 (Audit Report, 1964).

10.1. In April, 1952, Government sanctioned the opening of a distillery by a private firm subject to the payment of 10 per cent of its net annual profits to Government from the third year of its working. It was further stipulated that Government would reserve to themselves the right to review the position of the working of the firm at the end of the first and second years and also to modify the concession suitably, if on a scrutiny of the distillery's accounts by a Government Auditor it was found that considerable profit was made by the firm during the first and second years. An agreement was executed by the firm accordingly on the 12th May, 1952 and the distillery started functioning on the 1st June, 1954.

10.2. During audit of the office of the Excise Inspector attached to the distillery conducted in September-October, 1957, it was noticed that the department had not taken action either to review the percentage of profits with reference to the working of the concern in the first and second years, or to assess and recover the dues to Government, in terms of the agreement. The failure in this respect was pointed out to the Board of Revenue in December, 1957.

10.3. In July, 1958, the department required the firm to produce the balance sheets for the first two years for the purpose of the review contemplated in the agreement, but the firm refused to produce them. The firm also contended that it was *ultra vires* of the powers of the Government to stipulate a share in this profits of the concern.

10.4. The accounts of the firm were subsequently examined by an officer of the Industries Department in March, 1962, but the correct position regarding the financial working of the firm and the share of profits due to Govt. were not assessed. His report, however, revealed that the firm had, according to its Auditors, incurred a net loss of Rs. 10,099 in the first year of its working ending March, 1955, but during the second year it had made profits amounting to Rs. 22,722. In subsequent years, the concern was making larger profits.

10.5. In January, 1960, on being threatened with cancellation of licence, the firm agreed to remit 10 per cent of the profits under protest, pending a final decision regarding the right of Government for the same already contested by them, and proposed that the amount might be adjusted from their security deposits and earnest money deposits for 1958-59 and 1959-60. The department did not avail of this opportunity also, but released, the deposits amounting to Rs. 20,500 in September, 1961. The Board of Revenue stated in July, 1962. that the security held by the department relating to previous contracts were released after getting fresh securities.

10.6. The profits of the firm from the third year to end of 1960-61 worked out to Rs. 3,71,590 as detailed below, as per the accounts prepared by the firm's Auditors.

Year	Profit
	Rs.
1956-57	50,889
1957-58	70,857
1958-59	78,045
1959-60	93,764
1960-61	78,035
TOTAL	3,71,590

On this basis, a sum of Rs. 37,159 is due to Government in respect of this period against which the Government is holding security deposit from the firm only for an amount of Rs. 28,000. The amounts due for the subsequent years are yet to be ascertained. Under the provisions of the agreement, Government are vested with full powers to cancel the agreement for violation of its terms and to take coercive steps to recover the dues; but no action has been taken in this direction. The firm is also being issued licence for running the distillery year after year (August, 1963).

10.7. The Committee desired to know whether the 10 per cent of the net annual profits had been paid to the Government by the private firm from the third year of its working. The Additional Secretary, Revenue Deptt. informed the Committee that no amount had been paid as a share of the profit. On being asked about the

10.8. The Committee desired to know as to why the clause of the Accountant General conducted the Inspection, the question was taken up with the Distillery. The firm had contested it and had stated that the firm was not bound to honour the agreement in view of the fact that the particular clause offended the natural justice. The witness added that the legal opinion was taken and the Deptt. was advised that it was not proper to insert such a clause in the agreement.

10.8. The Committee desired to know as to why the clause of the agreement could not be revised now. The Additional Secretary, Revenue Deptt. stated that the difficulty was that there were only two distilleries in the State to supply arrack to all the districts. Government wanted to cover larger areas and would require at least two distilleries. There would be legal difficulties, if it was done in the middle of the year. In reply to a question, the witness stated that the licence was renewed every year. On being pointed out that if the Government had told the party that unless it honours its commitment to the Government which were made in good faith, the Government would not renew the licence, the witness stated that the opinion of the Board would be taken and the matter would be pursued.

10.9. The Committee regret that from the very beginning the entire case in regard to the contract was not properly processed. The Committee consider it extremely unfortunate that Govt. should have entered into an agreement which was later found to be *ultra vires*. The Committee also feel that Govt. should have taken prompt steps to revise the agreement as soon as it was found that the original agreement was *ultra vires* instead of allowing the stalemate to continue indefinitely. They suggest that the question of revising the agreement should be considered and while doing so the question of suitably enhancing the licence fee should also be considered before the license is renewed so that the financial interests of Govt. are safeguarded.

Sales Tax—para 58, pages 71-75 (Audit Report, 1965):

(b) *Trend of Revenue:*

10.10. The sales tax receipts during the year 1963-64 (Rs. 14.52 crores) recorded an increase of Rs. 1.15 crores/8.60 per cent over the budget estimates (Rs. 13.37 crores). The variation between the budget estimates and actuals under important minor heads, with reasons therefor are indicated below:—

Head of Account	Budget estimates 1963-64	Actuals 1963-64	Variations more (+) less (-)	Reasons for variation
1	2	3	4	5

(In lakhs of rupees)

XIII. Sales Tax—

(a) Receipts under the Central Sales Tax Act	1,85.00	1,61.90	-23.10	Information awaited from the Secretary (Taxes), Board of Revenue.
(b) Receipts under the State Sales Tax Act	11,24.00	12,85.08	+1,61.08	
(c) Licence fees	13.00	3.68	-9.32	
(d) Miscellaneous	18.10	19.52	+1.42	
(e) Deduct—Refunds	-3.10	-18.27	-15.17	
Total	13,37.00	14,51.91	+1,14.91	

10.11. The receipts during 1963-64 have shown an increase of Rs. 7,08,00 lakhs/95.17 per cent compared to those in 1959-60. The statement below indicates the increasing trend of this source of revenue during the last five years.

Year	Actuals	Percentage of Sales tax receipts to the total receipts of the State under the Principal Heads of Revenue
(1)	(2)	(3)
	(In lakhs of rupees)	
1959-60	7,43.91	28.43 per cent
1960-61	9,02.09	29.52 „
1961-62	10,56.31	34.62 „
1962-63	12,00.65	42.09 „
1963-64	14,51.91	43.01 „

10.12. The Committee desired to know the reasons for the variation between the budget estimates and the actuals. The Secretary (Taxes) Board of Revenue informed the Committee that in regard to Central Sales Tax, the shortfall was due to the fact that a large number of dealers had complied with the provisions of Central Sales Tax Act, 1956 and had enjoyed the concessional rate of one per cent on inter-State transactions much more than what was anticipated. In regard to State Sales Tax, the variation was due to normal rise in prices and increase in rates and the expeditious completion of final assessment that were pending disposal. In regard to the licence fees, the new act which came into force from 1-4-63 did not have any provision for the levy of licence fees. Though Rs. 13 lakhs were anticipated, only Rs. 3.68 lakhs were collected by way of licence fees which was the balance due for the previous year. The variations in regard to the miscellaneous receipts could not be anticipated. Compounding fee was levied and the quantum of compounding fee depended upon the number of cases booked by officers.

10.13. The Committee are of the opinion that the variations between the budget estimates and the actuals in respect of receipts under the State Sales Tax are very much on the high side. They hope that efforts would be made to improve the budgeting technique and arrive at more accurate estimates of the receipts under various heads.

(c) (ii) *Irregular grant of exemptions:*

10.14. (1) Under Section 9 of the General Sales Tax Act, 1125 M.E., an assessee is entitled to exemption in respect of turnover involving transactions carried out on behalf of known principals specified in his account, in accordance with the terms and conditions of a licence provided that the turn-over so exempted is included in that of the principals or dealers from whom purchases were made. In the Sales Tax High Range Circle, Devicolam, five dealers in cardamom were granted exemption in respect of turn-over amounting to Rs. 29.14 lakhs on the ground that the sales would have been assessed to tax at the hands of their principals borne on the files of the different Sales Tax Officers. A test check by Audit showed that a turn-over of Rs. 3.28 lakhs exempted at the hands of two of these auctioneers has escaped assessment in the hands of their principals also; the loss of revenue amounted to Rs. 6,568.

10.15. Explaining the position in regard to the loss of revenue amounting to Rs. 6,568, the Secretary (Taxes) Board of Revenue stated that it was a case of irregular exemption and the Deputy Commissioners had taken up *suo motu* revision of these cases. In reply to a question, the witness stated that some cases were brought out by the Audit staff of the department and other cases had been detected by the Accountant General's audit. On being asked whether any instructions had been issued in this regard, the witness stated there were already instructions in this regard. The officers had been told that when exemptions were granted, they must make sure that the principal dealers had paid the tax before the agents were given exemptions.

10.16. The Committee suggest that the Departmental Audit should be strengthened so that all such cases are detected by them. They also desire that necessary instructions be issued to all officers to be careful in their assessment work so as to avoid irregular grant of exemption.

10.17. (2) In the Special Circle, Kottayam exemption was erroneously allowed on second sales of rubber effected locally by an assessee, on the assessee producing a defective declaration with no proof that the exempted turn-over had actually suffered tax at the hands of the first sellers; the tax thus short-assessed was Rs. 4,485.

10.18. In regard to the loss of revenue of Rs. 4,485, the Secretary (Taxes) Board of Revenue, informed the Committee that the case was in the process of revision by the Deputy Commissioner, Ernakulam who was the revising authority. In reply to a question, the

witness stated that the case was detected towards the end of 1964, and it was still in the process of revision.

10.19. On being asked as to how the Sales Tax officer had accepted the defective declaration in the first instance, the witness stated that the Sales Tax officer thought that this particular dealer (Second dealer) was not liable for tax since the first dealer had already sold the goods to him and should have been assessed. Finally, it was found that the first dealer who had sold the goods to the second dealer had not paid the tax and hence the first dealer was liable for tax.

10.20. The Committee are unhappy to note that the case detected towards the end of 1964 is still in the process of revision. They hope that the matter would be expedited. The Sales Tax officers should also be instructed to be careful in such matters.

10.21. (3) (a) In the case of an assessee who was a dealer in eggs, mutton, etc. exemption was granted on a turn-over of Rs. 1,76,638 in respect of 'dressed poultry' during the year 1959-60 to 1961-62. Only goods specifically declared as tax free under Section 6 of the Act are entitled to exemption; though meat is exempt from tax, 'dressed poultry' is not an exempted item. The Sales Tax Officer, however, allowed exemption on 'dressed poultry' treating it as meat. The short assessment works out to Rs. 3,533.

10.22. The Committee desired to know as to why exemption was granted on 'dressed poultry', by the Sales Tax Officer. The Secretary (Taxes) Board of Revenue stated that the Sales Tax officer thought that 'dressed poultry' would come within the term 'meat' which was exempted. When it was found that 'dressed poultry' did not come within the term 'meat', it was assessed to tax. The witness admitted that it was a case of escapement of assessment.

10.23. The Committee hope that such instances would not recur.

(c) (iii) *Irregular grant of concessions on Inter-State sales:*

10.24. In 14 cases, though the dealers did not produce any valid 'C' forms in support of the Inter-State sales involving a turn-over of Rs. 3.46 lakhs, the Department allowed the concessional rate applicable to such sales. The tax so forgone was Rs. 23,877 out of which Rs. 15,462 pertained to eight cases in the Special Circle, Kottayam. In 69 other cases, acceptance of defective 'C' forms resulted in short assessment of tax aggregating Rs. 45,382.

10.25. Explaining the position in regard to the grant of concessions, the Secretary (Taxes) Board of Revenue informed the Committee that in the initial stages, due to wrong interpretation of the Central Sales Tax Act, the officer had committed certain irregularity which was finally found out. Subsequently, the dealers were producing valid 'C' forms and hence concessional rates of tax were allowed to them. In reply to a question, the witness stated that the Central Sales Tax was introduced in July, 1957 and the Law was changed from time to time. So the officers, due to oversight or ignorance of the Law, had been granting exemptions without the production of proper 'C' forms. The mistakes were found out and had been rectified.

10.26. The Committee suggest that serious notice should be taken of such cases of ignorance about the provisions of the Law as result in irregular grant of concessions.

10.27. In reply to a question, the witness stated that the 83 cases related to the period 1961-62 and the assessment for those years would have been made during 1962-63 and the subsequent years. On being asked whether there was any system of giving a refresher course to the officers, the witness stated that they have started the training for these officers. On being asked whether such instances had occurred due to lack of proper instructions to the officers, the witness stated that there were instructions, but the capacity of the officer might vary from person to person. In reply to a question, the witness stated that the Board had issued clear instructions from time to time. On being asked as to how many cases had been revised and taxes collected, the witness stated that in certain cases assessments were made properly and there was no need to revise the assessments. It was found that proper declaration had been made but the office had omitted to trace out those declaration forms. Taxes had been realised in all the cases. In reply to a question, the witness stated that the investigations in all the 83 cases had been completed. There were no defects in some of these cases. Wherever, there were defects, those had been rectified and the tax had been collected.

10.28. The Committee desired to be furnished with details of 83 cases where tax amounting to Rs. 60,259 was forgone. The details have since been furnished and are at Appendix LXI

10.29. From the note, it is seen that action has been taken in respect of several cases to revise the assessment. They hope that assessments would be made properly and would as far as possible avoid the necessity of revision of assessments subsequently.

10.30. In this connection the Committee suggest that apart from giving to the officers a refresher course, efforts should also be made to see that the assessing officers keep abreast of the latest orders and instructions, so that incorrect assessments are reduced to the minimum, if not altogether eliminated.

(c) (vi) *Incorrect accounting of collections:*

10.31. Cases of excess double credits afforded to the assessee due to wrong accounting of collection of tax against demands raised were noticed in 9 sales tax offices. This resulted in short collection of tax amounting to Rs. 5,921.

10.32. Explaining the position in this case, the Secretary (Taxes), Board of Revenue stated that in some cases assessments could not be completed in view of the decision of the High Court which had held that the producer of rubber was not a dealer liable for tax. Such cases were pending and the matter had been taken up before the Supreme Court and it was pending there.

10.33. The Committee would like to be apprised of the final outcome of the case.

(d) *Arrears of Sales Tax:*

10.34. The arrears of sales tax pending collection as on the 31st March, 1964 amounted to Rs. 3,56,30 lakhs.

The year-wise details of arrears are given below:

Period	Amount in lakhs of rupees)
Upto end of March, 1950	9.30
1950-51 to 1952-53	20.01
1953-54 to 1955-56	38.03
1956-57 to 1958-59	64.40
1959-60	34.50
1960-61	48.76
1961-62	36.64
1962-63	57.22
1963-64	47.44
TOTAL	3,56.30

The total arrears thus work out to nearly 25% of the total demand in a year.

The recovery proceedings are reported to be in various stages of action.

10.35. The Committee desired to know (i) the reasons for the large arrears of sales tax and (ii) the latest position in regard to arrears. The Secretary (Taxes), Board of Revenue informed the Committee that the latest position in regard to arrears upto 30th September 1965 was Rs. 3,31,09,234. On being asked about the reasons for such a large amount of arrears for the period pertaining to 1959-60 and earlier, the witness stated that the assessment of cashew dealers and oil millers were not made during that period due to the decision of the High Court.

10.36. The Committee desired to know the total arrears in agricultural income tax. The witness stated that the arrears as on 30th September 1965, amounted to Rs. 57 lakhs, the arrears upto 1959-60 were Rs. 3,71,265. On being asked as to what had been done in respect of the arrears the witness stated that the proceedings were taken under the Revenue Recovery Act and that was pending.

10.37. The Committee are perturbed to note that arrears of Sales Tax and the Agricultural income tax as on 30th September, 1965 are Rs. 3,31.09 and Rs. 57 lakhs respectively. They suggest that vigorous steps including the setting up of a special machinery, if necessary, should be taken to liquidate old arrears and avoid accumulation of current demands.

XI

FINANCE DEPARTMENT

**Policy of investment by Kerala State Government resulting in whittling away of accountability to Legislature. Para 69, page 88—
(Audit Report, 1964)**

11.1. M/s. United Electrical Industries Limited, a Government company subject to the audit of the Comptroller and Auditor General of India under Section 619 of the Companies Act, 1956, since 1956, issued additional shares in August-September, 1962. The State Government did not take up sufficient number of shares offered to them by the company with the result that the percentage of Government shareholding in the company came down from 81.51 to 41.02. However, the Kerala State Industrial Development Corporation Limited, a company fully owned by Government, took shares to the tune of Rs. 9,36,000 and its holding in the company rose to 49.52 per cent. Even though 90.54 per cent of the share capital of the company thus comes from Government funds, partly directly and partly indirectly, this company ceased to be a Government Company and went out of the purview of the Comptroller and Auditor General's supplementary audit.

11.2. Government were requested in December, 1962 to take action for restoring the status of the company to that of a Government Company or to make it a subsidiary to the Kerala State Industrial Development Corporation Limited. The State Government have stated that keeping in view the policy decision of the Government which does not contemplate Government control over industrial undertakings the State Government do not consider it advisable to restore the status of the United Electrical Industries Limited, as a Government Company nor interfere with the decision of the Kerala State Industrial Development Corporation Limited, which for reasons of its own decided that its share capital contribution need not be to such an extent as to convert the United Electrical Industries Limited into a subsidiary company. An amendment of Article 45 of the Articles of Association made in June, 1963 empowered the State Government and the Kerala State Industrial Development Corporation holding 41.02 and 49.52 per cent of shares respectively, to nominate only one director each of the existing number of seven directors. The result is that while 90 per cent of the share capital

is provided by Government, the control will be in the hands of a small minority of shareholders whose financial stake is only 10 per cent of that of Government.

11.3. Explaining the position in regard to M/s. United Electrical Industries Limited, the Finance Secretary informed the Committee that the State Government had purchased 27,500 shares of Rs. 10 each in May, 1952. In October, 1957, Government had purchased 50,000 shares of Rs. 10 each. The total share capital of Government in the company had amounted to Rs. 7.75 lakhs out of the total issued capital of Rs. 9.5 lakhs. Accordingly, it had become a Government Company. The Company was managed by a firm of Managing Agents till 1960. Thereafter, the affairs were managed by a Board of Directors through the General Manager. The Company had an expansion programme in 1960. Funds were not available in the State Government budget for further investment in the company. Therefore, the Kerala State Industrial Development Corporation which was a fully Government-owned Corporation came to the rescue of the company and took shares to the extent of Rs. 9.36 lakhs. So far as the control of the company was concerned, it made no difference, whether the control was exercised direct by Government or through Kerala State Industrial Development Corporation, but because of the allotment of shares of the value of 9.36 lakhs to the KSID Corporation the shareholding of the Kerala Government fell below 51 per cent of the total shares and hence technically, the Company became a non-Government Company. When the Accountant General brought the fact to the notice of the Government, Government had agreed that audit could be taken up by the Accountant General on a consent basis and there was no intention of escaping the purview of audit.

11.4. On being asked as to what was being done to bring within the purview of accountability to State Legislature, the witness stated that the Government were prepared to reconsider the position whether by investing some more funds directly by Government or if necessary by purchasing some shares from the K.S.I.D.C., it would be restored as a Government Company.

11.5. Answering another point, the witness stated that the question of issuing an order to the effect that all the balance sheets, accounts and reports etc. would be placed on the Table of the House, would be considered by the Government. On being asked as to why it could not be declared as a subsidiary of the Government Company, the witness stated that there were practical difficulties and the State Industrial Development Corporation did not want to buy shares in the Companies which were actually functioning.

11.6. The Committee desired to know in this connection the Industrial Policy of the Government of Kerala. The Finance Secretary informed the Committee that in general, the policy was to see that new companies were organised with the minimum share capital so that the Government did not have any obligation to retain their share capital in all the companies. If they found that companies that were established could get on without their support, they would sell their shares to others and would invest in new companies. The witness accepted the position that the control should remain with the Government till such time as the majority of the shares were parted with.

11.7. On being asked about the position in regard to the other company (Transformers and Electricals, Kerala Limited), the Finance Secretary stated that the position in regard to the other company was more or less the same and there was no question of Government purchasing shares. Government and the KIDC held 26 per cent each of the share capital and a foreign firm held another 26 per cent. The intention at that time was to convert it as a Public Limited Company with a majority of share capital by the Public in which case Government or KIDC could retrieve their capital.

11.8. In reply to a question, the Managing Director, Kerala State Industrial Development Corporation, Limited stated that the share capital was estimated to be Rs. 110 lakhs out of which about Rs. 28 lakhs would be issued only after the first transformer was rolled out of the factory which was the decision of the Board of Directors. The balance representing Rs. 82 lakhs was contributed by the Kerala Government, the foreign firm and the KIDC. At the moment, the issue of shares was not complete. The proper percentages would be worked out only after the first transformer was rolled out of the factory.

11.9. On being asked about the agreement with the foreign firm, the witness stated that Rs. 28.6 lakhs each had been agreed to be subscribed by the Government and the foreign firm while Rs. 25 lakhs had been agreed to be subscribed by the Corporation. The balance was to be issued to the Public and the issue of shares would take place some time next year.

11.10. On being asked as to what would happen, if the issue of shares was not subscribed in full by the date, the witness stated that it would be taken by Government or KSIDC and the company would be treated as a public sector company. When the Committee pointed out that the share capital had been divided in such a way

(34% and 31% with the companies) that the company could not be called a Government-owned company and therefore, was not accountable to State Legislature, the Finance Secretary stated that the Companies Act should be amended by which if the total holding on behalf of Government and the Government-owned corporation was more than 50%, then the company could be declared as a public company.

11.11. In reply to a question, the Finance Secretary stated that the Government did not want to keep control on all the industries which were able to get on without their assistance. Funds at their disposal were limited. As and when the Industries were able to get on without the Government's assistance, they would withdraw their share capital from that company and would like to invest them on new companies as and when they were formed.

11.12. The Committee feel that when more than 50% share capital of a Company is held by the Government directly or indirectly then, it must come within the definition of the Government company and must be subjected to some financial control and discipline which is attracted by Government companies. Keeping this in view the Committee desire that the question as to how exactly the state of the companies could be restored as Government companies may be examined. They would, therefore, suggest that the feasibility of investing some more funds directly by Government or if necessary by purchasing some shares from the Kerala State Industrial Development Corporation may be examined so as to restore the status of the companies as Government companies. In the meanwhile the Committee also desire that an order should be issued to the effect that the balance sheets, accounts and reports should be placed on the Table of the House.

11.13. In the opinion of the Committee the peculiar position in respect of the two companies which could not be called Government-owned companies and hence were not accountable to Legislature needs to be examined as it appears that such a situation had not been envisaged in the Companies Act, 1956. They would suggest that the Department of Company Law of the Government of India should examine this aspect of the matter.

Savings in grants/appropriations, para 14, pages 17—20 (Audit Report) 1964.

11.14. (a) *Voted grants*:—The details given in Appendix LXII indicate that during the year 1962-63, there were 26 grants under which the provision remained unutilised to the extent of more than 10 per cent; in 14 of these cases the savings ranged between 20 and

68 per cent. In 10 of these grants (Serial Nos. 5, 6, 7, 12, 13, 15, 17, 19, 23 and 25) savings in excess of 10 per cent occurred in the preceding three years also.

11.15. (b) *Charged appropriations*: There were savings totalling Rs. 20.52 lakhs under 28 appropriations during the same year.

The bulk of the savings (Rs. 15.27 lakhs out of the provision of Rs. 36.46.74 lakhs) was under 'Public Debt—Repayment'. This appropriation also provides for the transactions relating to the repayment of "keyloans" availed of from the State Bank of India by the Malabar Spinning and Weaving Company Ltd., run by Government under an usufructuary mortgage deed as per the orders of the court. According to the procedure prescribed by Government these loans were to be considered as loans to the State Government to be reloaned to the company by the State Government. Particulars for carrying out the adjustments in this behalf which were to be furnished by the General Manager through the Department of Industries and Commerce were received too late for incorporation in the accounts for 1962-63.

11.16. (c) The more important savings by different groups of Government activities are indicated below:—

	Total Grants/ Appropriations	Savings		Remarks
		Amount	Percentage	
(Rs. in crores)				
Expenditure met from revenue-Administrative Services.	8.47	0.75	8.85	The saving has been explained as mainly due to discontinuance of the subsidised sale of rice from November, 1962.
Social and Developmental Services—				
Education	20.36	1.44	7.07	} The Savings have been generally explained as due to late filling up of posts and posts remaining unfilled, non-purchase of equipment, non-implementation or slow progress of schemes and non-adjustment of cost of materials received in certain cases.
Industries	2.97	0.72	24.24	
Agriculture	1.99	0.55	27.64	
Other heads	14.07	0.80	5.69	
Total, Social and Developmental Services	39.39	3.51	8.91	

	Total Grants/ Appropriation	Savings		Remarks
		Amount	Percentage	
(Rs. in crores)				
Expenditure outside the Revenue account—				
Industrial Development	2.51	0.44	17.53	The saving was mainly due to (i) less expenditure on Industrial Estates (Rs. 14.83 lakhs) (ii) Non-purchase of debentures of Land Mortgage Bank as the Bank decided to float loan only in the next year (Rs. 7 lakhs) ; and (iii) deferring payment of contribution to share capital of Malabar Co-operative Central Bank (Rs. 7 lakhs) due to non-sanctioning in full by the Reserve Bank of India of the proposal of Government.
Agricultural Improvement	0.67	0.17	25.37	The saving was attributed mainly to non-construction of staff quarters in Kallady and Kodumon Plantations for want of Government sanction (Rs. 11.53 lakhs).
Miscellaneous	27.71	3.70	13.35	Non-receipt of full debts for the cost of rice purchased from the Central Government (Rs. 1.70 crores) bonemeal and hypophosphate were not purchased (Rs. 85.97 lakhs) and certain other manure indented for was not received (Rs. 45.13 lakhs).

11-17. (d) Some of the major schemes, the provision for which remained wholly or substantially unutilised are shown below :—

Sl. No.	Grant No. and group head	Name of the scheme	Provision	Saving (and percentage)	Reasons for the saving and Remarks
1	2	3	4	5	6
			(Rupees in lakhs)		
1.	XIV—State Insurance and Miscellaneous (d) (i)	Grain Supply Scheme (Non-Plan).	1,38.53	66.31 (48%)	Discontinuance of the subsidised sale of rice from the 18th November, 1962.
2.	XVII—General Education C(a) VII.B.	Elementary education—Opening of new primary schools (Plan)	46.94	17.70 (38%)	The saving occurred mainly under 'Pay of Establishment' and 'Allowances', reasons for which are awaited.
3.	XVII—General Education C(a) VII.G.	Elementary education—Opening of middle schools (Plan)	14.89	5.58 (37%)	The saving occurred mainly under 'Pay of Establishment' and 'Allowances', reasons for which are awaited.
4.	XX—Public Health C(V)	Control of diseases—Eradication of small-pox (Plan)	16.05	6.00 (37%)	Late starting of the scheme due to delay in getting administrative sanction, non-procurement of vehicles, equipment, etc., on account of the Emergency, receipt of vaccine from the U.S.S.R. free of cost and non-raising of additional units for want of administrative sanction.

1	2	3	4	5	6
5	XLIV—Capital Outlay on Industrial Development C(ii)A.	Industrial Estates (Plan)	28.65	17.92 (63%)	Non-utilisation in full of the provision made for the construction of new industrial estates and providing additional facilities in the existing industrial estates, reasons for which are awaited.
6	XLVII—Capital Outlay on Other Works (a) IIC(iii).	Land acquisition and development (Plan)	10.00	9.38 (94%)	Late commencement of the work of reclamation of land at Ernakulam for the Housing Scheme and non-receipt of spun pipes (Rs. 2 lakhs) reasons for the balance saving of Rs. 7.38 lakhs are awaited.
7	XLVIII—Capital Outlay on Ports C(c) (xxii).	Lighter age Port at Neendakara (Plan)	13.11	10.12 (77%)	Non-construction of breakwaters due to non-receipt of sanction to the revised estimates from Government of India.

Saving in grants/appropriation, para 14, pages 20—22 (Audit Report, 1965).

11.18 (a) Voted grants:—The details give in Appendix LXIII indicate that during the year 1963-64 there were 19 grants under which the provision remained unutilised to the extent of more than 10 per cent. In 10 of these cases the savings ranged between 20 & 71%. In 6 of these grants (Serial Nos. 1, 6, 9, 13, 14 and 18) saving in excess of 10 per cent occurred in the preceding three years also.

11.19 (b) Charged appropriations:—There were savings totalling Rs. 5.97 crores under 23 appropriations during that year.

The bulk of the savings (Rs. 5.90 crores out of the provision of Rs. 39.13 crores) was under 'Public Debt-Repayment' and was attributed mainly to shortfall in repayments of "Ways and Means advances taken from the Reserve Bank of India" (Rs. 3.23 crores) and 'Other Ways and Means advances' received from the Government of India (Rs. 2.50 crores).

11.20 (c) The more important savings analysed by different groups of Government activities are indicated below:—

	Total Grants/ Appropriations	Savings		Remarks
		Amount	Percentage	
(In crores of rupees)				
Expenditure met from Revenue—				
Collection of Taxes, Duties, etc.	2.43	0.27	11.11	The savings occurred mainly under the grant 'Land Revenue' (Rs. 21.33 lakhs); the reasons for the saving are awaited.
Social and Developmental Services—				
Education	22.05	1.35	6.12	} The savings have been generally explained as due to vacant posts, non-purchase of equipment, non-imple-
Other heads	19.35	0.83	4.29	
Total, Social and Development Services	41.40	2.18	5.27	

1	2	3
Expenditure outside the Revenue Account—		mentation or slow progress of schemes and economy in expenditure.
Schemes of Govt. Trading.	12·92	2·74
	21·21	The saving was attributed mainly to reduction in the quantity of rice allotted (2·15 lakhs tonnes as against the original estimate of 2·50 lakhs tonnes) to the State by the Government of India (Rs. 1·83 crores); and non-receipt of certain debits from the Pay and Accounts Officer for grains supplied in February and March, 1964. (Rs. 1·16 crores).

11.21. (d) Some of the major schemes, the provision for which remained wholly or substantially unutilised are shown below; some others are indicated in Appendix LXIV.

Sl. No.	Grant No. and group head	Names of the Scheme	Provision	Saving and percentage	Reasons for the saving
1	2	3	4	5	6
(In lakhs of rupees)					
1	XVII—General Education B(a) II B(iv).	Scheme for employment of additional Hindi Teachers (Plan)	2.95	2.95 (100%)	Additional teachers were not required consequent on the introduction of revised teacher-pupil ratio.
2	XVIII—Technical Education A(d) (vii) A.	Development of Engineering College, Trivandrum (Plan)	5.65	3.81 (67%)	Mainly due to economy in expenditure, non-receipt/non-purchase of equipment and unfilled vacancies for want of qualified hands.
3	XVIII—Technical Education A(d) (vii) G.	Introduction of five year integrated course in the Engineering College, Trivandrum and Trichur (Plan)	4.71	3.64 (77%)	Non-purchase of equipment either due to delay in getting import licence or non-receipt of equipment ordered for unfilled vacancies and economy in expenditure.
4	XX—Public Health (a) (xvi) 9E II Districts.	Family Planning (Plan)	5.87	5.86 (99.9%)	Late starting of the scheme (Rs. 1.95 lakhs) ; unfilled vacancies for want of qualified personnel and non-purchase of vans (Rs. 0.83 lakh) ; reasons for the balance saving (Rs. 3.08 lakhs) awaited.

1	2	3	4	5	6
5	XXVI—Co-operation (c) (ii) A(4).	Settlement of landless agricultural labourers in Bhoodan and Gramdan lands (Plan).	3.00	3.00 (100%)	Non-implementation of the scheme as the rules for the grant of subsidy were not finalised.
6	XXVI—Co-operation (c) (ii) G(1).	Managerial subsidy to Consumer's Co-operatives (Plan).	3.78	3.24 (86%)	Delay in organising wholesale and primary consumer Co-operative stores due to difficulties in observing formalities regarding their formation.
7	XXVII—Industries (a)(v) (10).	Government owned commercial concerns Electrical and Allied Industries (Non-Plan).	12.00	8.07 (67%)	The saving has been attributed to delay in taking over the Electrical and Allied Industries, a private company. The concern was taken over in March, 1964.
8	XXVII—Industries (f) (v) (ii) F.F.	Rural Industries Project (Plan).	10.00	5.30 (53%)	Late issue of sanctions for the implementation of the different schemes.
9	XXVIII—Community Development Projects, National Extension Service and Local Development Works A(c)(i).	Schemes of Animal Husbandry and Agricultural Extension financed from loan funds (Plan).	8.46	3.97 (47%)	The non-utilisation of the amount has been attributed mainly to delay in processing of schemes.
10	XXXVII—Pensions 65(a)2	Pensions to teachers of aided schools (Plan)	4.50	3.72 (83%)	The saving has been attributed to the fact that the scheme was in its early stage of implementation.

11.22. The Committee desired to know whether it was not possible for Government to benefit by their experience of past years and reduce the budget provision proposed by the Departmental authorities in view of the fact that savings of over 10% had occurred successively for four years from 1960-61 to 1963-64 in the case of the following grants:

1. Elections
2. Rural Development
3. Co-operation
4. Miscellaneous
5. Capital outlay on Industrial Development
6. Capital outlay on ports.

11.23. The Additional Secretary (Finance and Planning) stated that there were specific reasons for savings in respect of each item. Explaining further, the witness stated that the saving was mainly under elections. The main difficulty was that the question of holding panchayat elections was being considered every year but it was being postponed from year to year by the State Government. There was a saving of about Rs. 7.29 lakhs in the year 1962-63 relating to panchayat elections.

11.24. In regard to the capital outlay on industrial Development, the witness stated that for the year 1962-63, the original grant was Rs. 241.36 lakhs and there was a supplementary demand for Rs. 10.6 lakhs making a total of Rs. 250.96 lakhs out of which the expenditure was Rs. 207.53 lakhs. The saving was Rs. 43.43 lakhs or 17.3 per cent of the grants. On being asked as to why a supplementary grant was taken, when the original demand itself was enough, the Secretary, Industries Department stated that it was a clear case of not assessing the flow of expenditure properly. He further added that the anticipation was that there would not be any saving and more money would be required but the anticipation evidently was wrong.

11.25. In regard to savings under the plan schemes, the Additional Secretary (Finance and Planning) stated that generally both for the year 1962-63 and 1963-64 the savings were due to the National Emergency that developed in 1962 and also due to the difficult ways and means position of the State Government. During the middle of the year; in consultation with the Finance Ministry and the Planning Commission the State Government had to reduce the plan outlay from the provisions that were made in the budget. In the year 1962-63, as against Rs. 30.9 crores that was provided in the budget, the plan outlay had to be kept around Rs. 29 crores.

Similarly in the year 1963-64, as against budgeted outlay of Rs. 32.8 crores plus an additional allocation, specially made by the Government of India for agriculture and anti-sea erosion, the State Government were asked to effect a saving of Rs. 1 crore. General directions were given for effecting some savings in the plan, (except in education). The reasons which were given in the Appropriation Accounts as economy in expenditure, nonfilling of posts and other things fall under the implementation of the general direction to effect a plan saving of about Rs. 1.9 crores in the year 1962-63 and about a crore in the year 1963-64. In regard to education the reasons were slightly different. The budget head under plan was only for Government schools. Actually the plan outlay was for both Government and private schools opening newly in the third plan period. When the plan outlay was provided on the basis of a scheme of the opening of new schools both under Government and private sectors, the expenditure that was booked under plan related only to the expenditure in Government schools and the expenditure relating to private schools was booked under the regular budget relating to grants to private institutions.

11.26. The Committee desired to be furnished with brief notes indicating reasons for savings in excess of 10 per cent which occurred in 1962-63 and 1963-64 in the case of S. Nos. 1, 6, 9, 13, 14, and 18 in Appendix II—pages 148-151 of Audit Report 1965. The notes have since been furnished and are at Appendix LXV.

11.27 From the notes, it is seen that there are large savings under all the Demands Compared to total grants. In the case of the following Demands particularly, the savings are on the high side.

(1962-63)

Demand	Budget Estimate	Total Grant	Actual Expenditure	Savings	Percentage of savings
1	2	3	4	5	6
(Rupees in lakhs)					
XL—					
Miscellaneous	50.48	63.26	52.42	10.84	17.14
XLVIII—					
Capital outlay on ports	32.66	32.66	10.35	22.31	68.31

	1	2	3	4	5	6
XXVI—						
Co-operation		52.40	56.57	38.24	18.33	32.40
XLIV—						
Capital outlay on Industrial Development		240.36	250.96	207.53	43.43	17.31
		1963-64				
VIII—						
Elections		4.75	4.75	3.76	0.99	20.84
XL—						
Miscellaneous		85.30	85.30	64.47	20.83	24.42
XLIX—						
Capital outlay on ports		15.69	15.69	10.78	4.91	31.29
XXVI—						
Co-operation		55.66	55.66	46.13	9.53	17.12

11.28. The Committee feel that such large savings only indicate that provisions in the budget are made without proper planning and adequate preparation. They deprecate such tendency on the part of the Departments as this results in unnecessarily inflating the budget and thereby locking up funds which could be better utilised for other schemes and projects. Since large savings are indicative of loose budgeting, the Committee would suggest that the administrative Departments should make efforts to frame their estimates more realistically and with a greater degree of precision to avoid a supplementary grant which cannot be utilised. In the circumstances, the Committee are of the opinion that there is scope for improvement in the budgeting and control over expenditure.

11.29. In regard to the scheme for employment of additional Hindi teachers (page 31 of Appropriation Accounts 1963-64) and the reasons for non-filling of vacancies, the Director of Public Instruction stated that the procedure before 1964-65 was that in each Government school, the position was assessed at the beginning of the school year. It was communicated through the several controlling officers to the Head of the Department. The Head of the Department would then consolidate his own proposals and send them to the Government for sanction which had involved avoidable delay. Normally, the posts were being sanctioned only a few months after the schools were reopened. Government had issued orders that the Distt. Educational Officer would have power to sanction posts in all

Government schools, so that the necessity of having to consolidate the proposals at different stages and then approach the Government for sanction which normally took six months' time, could be avoided. Under the new procedure, it was hoped that the work would be done in the proper manner from the next year.

11.30. When the Committee pointed out that there was a saving of 100 per cent and the entire provision had remained unutilised which had been stated to be due to the introduction of revised teacher pupil ratio, the Secretary, Education Department stated that in that year, it was estimated that there would be an additional requirement of Hindi teachers consequent on the additional intake of students. Later there was a revision of policy and the ratio of students and teachers was changed from 1:40 to 1:45. When the ratio was changed, the number of divisions fell short and the total work load also came down and could be managed with the number of teachers already in service. There was no need for any additional expenditure on that account.

11.31. The Committee regret to a note that owing to the so called revision of the policy, there was a saving of 100 per cent and the entire provision had remained unutilised. They cannot help observing that this is a case which lacked proper planning and forethought. The Committee also find it difficult to appreciate how the total work load came down by changing the ratio of students and teachers from 1:40 to 1:45.

11.32. In regard to the saving of Rs. 3.00 lakhs (page 57 of Appropriation Accounts, 1963-64), the Additional Secretary, Revenue Deptt. stated that the question of framing rules for the scheme was taken up soon after the budget was passed. It was done in consultation with the Board of Revenue and the Registrar of Cooperative Societies in October, 1962. The rules had to be prepared in consultation with the Bhoodan Yagha Committee. The draft rules were discussed with the representative of the Committee on 25-7-1963. As the representative of the Committee did not agree with some of the provisions in the rules, the Government reconsidered this question. On 10-10-1963 the points of difference were intimated to the Govt. of India and the advice of the Government of India was sought in the matter. The rules were finalised only on 24-10-1964. On being asked as to why the grant was taken, if the rules were not ready, the witness stated that it was not expected that that it would take one year

11.33. The Committee desired to be furnished with further information on the following point:

“Whether the land collected under Bhoodan movement was distributed to people for whom it was meant?”

11.34. The note has since been furnished and is at Appendix LXVI. It is seen from the note that the lands donated under the Bhoodan movement have not been relinquished to the Government and hence have not been assigned to any person under the Bhoodan Assignment Rules, 1962.

11.35. The Committee do not understand as to why there is so much delay in implementing the schemes. The Committee also deprecate that the grant was obtained much before the rules were framed. They desire that the Finance Department should issue suitable instructions to avoid recurrence of such cases.

11.36. When the Committee pointed out that there were many items, where more than 50 per cent of provision was surrendered, the Additional Secretary (Finance & Planning) stated that in regard to some of the centrally sponsored schemes, the State Government had a difficulty which had been pointed out to the Government of India. At the time, the annual plan (for the following year) was discussed in December-January of every year, certain provisions were suggested by the Ministries and the Planning Commission for the centrally sponsored schemes in the State. The sanction might come in April or May. So, along with the Plan budget, provisions, that had been suggested in the working group discussion for the particular centrally sponsored scheme, were included. Detailed sanction from the Government of India took time and the State Government were unable to start implementing the scheme. There was a certain element of anticipatory provision in the State budget for centrally sponsored schemes which gave rise to savings during the course of the year. In reply to a question, the witness stated that the question of token demands for the new centrally sponsored schemes could be considered.

11.37. The Committee desire that the practice of obtaining only token grants, where there is likelihood of delay in the implementation of a scheme, should be resorted to wherever feasible.

Expenditure on a 'New form of Service'/'New Instrument of Service' not covered by an advance from the Contingency Fund or vote of the Legislature: para 16, pages 25-26: (Audit Report, 1965).

11.38. In the following cases which, in the opinion of Audit, constituted 'New form of Service'/'New Instrument of Service' according to the criteria laid down by the Public Accounts Committee, 1959-60, expenditure aggregating Rs. 0.77 lakhs was incurred even before obtaining the vote of the Legislature or an advance from the Contingency Fund.

Education Department

11.39. (i) In July, 1963, Government sanctioned the introduction of two year post-graduate degree course in the Engineering College, Trivandrum. Between this date and the 16th January, 1964, when Government sanctioned an advance of Rs. 46,600 from the Contingency Fund treating the item as a New Service, an expenditure of Rs. 18,106 had been incurred by the Department on the Scheme.

The fact that expenditure had been incurred in anticipation of the advance from the Contingency Fund was not mentioned in the memorandum submitted to the Legislature in February, 1964 for the grant for recouplement of the advance taken from the Contingency Fund.

Industries Department

11.40 (ii) In July, 1963, Government sanctioned a scheme for the reconstitution of the Government owned commercial concerns into five Joint Stock Companies. A token provision by supplementary grant for meeting the expenditure connected with this 'New Service' was made on the 3rd March, 1964. The fact that the Director of Industries and Commerce had already incurred some expenditure before the vote of the Legislature had been obtained was not mentioned in the memorandum submitted to the Legislature for the token vote. The expenditure thus incurred amounted to Rs. 37,250 and the correct procedure would have been to take an advance from the Contingency fund to cover such expenditure.

Public Works Department

11.41. (iii) In October, 1962, Government while sanctioning the establishment of three new Regional Workshops at Trivandrum, Trichur and Kozhikode, directed the Chief Engineer (General and Irrigation) to put up proposals for a supplementary grant for incurring the expenditure. A supplementary grant was however, not obtained but an expenditure of Rs. 3,543 was incurred during 1962-63. (The expenditure constituted 'New Service' in terms of the Report of the Kerala Public Accounts Committee; this has been accepted by Government).

No provision was also made in the budget for the next year (1963-64). On the 6th August, 1963, Government sanctioned an advance of Rs. 45,000 for this purpose from the Contingency Fund. But even before this advance was sanctioned, expenditure aggregating Rs. 17,630 had been incurred (1963-64) by the Department on the scheme.

In the memorandum submitted to the Legislature for the token grant of Rs. 100 obtained on the 5th October, 1963, it was not indicated that expenditure had been incurred even before an advance was taken from the Contingency Fund.

11.42. Explaining the position in this case, the Additional Secretary (Finance and Planning) informed the Committee that there had been a mistake in all the three cases in the incurring of expenditure before the advance was drawn from the Contingency Fund. In one case it was due to some interpretation given by the head of the Department.

11.43. The Committee desire that comprehensive orders should be issued for the strict observance of the principle that no expenditure on a "New Service" should be incurred without obtaining a vote of the Legislature.

Loss, para 38, page 46: (Audit Report, 1965).

11.44. At about 4.30 A.M. on the 16th December, 1963 a fire accident occurred in a Factory at Kottayam, whose assets stood insured with the Insurance Department run by Government. According to the warranty clause in the insurance policy, the factory was not to work during night between 9.30 P.M. and 5.30 A.M. As the accident took place within the said period, no compensation was legally payable. But in April, 1964 the State Insurance Department, with Government's approval, paid a compensation amounting to Rs. 2.01 lakhs after collecting extra premium amounting to Rs. 628 only to cover the risk of night work also. This entailed a loss of about Rs. 40,283 to Government being their share of the compensation (the balance borne by the various reinsurers) less the extra premium collected.

11.45. Government stated as follows in December, 1964:—

"The Kerala Financial Corporation who are the mortgagees in respect of the company is an institution in which Government interest is vested and as such it is deemed that the loss caused to the company has to be compensated".

11.46. Explaining the case, the Finance Secretary informed the Committee that the State insurance Department had three branches namely, Life Insurance (Official Branch) Motor Vehicles Insurance and Fire Insurance. Fire Insurance had a scheme under which 25 per cent of the risks or Rs. 2 lakhs whichever was less was retained by the Department and the balance was reinsured with 19 companies. Of the Premiums that were received, 40 per cent was retained and 60 per cent was distributed among the 19 reinsurers according to the percentage of reinsurance fixed by the Government. The eligibility for insurance in the fire insurance branch extended to buildings, godowns, factories, machinery and stores owned by companies in which Government were interested including Government companies and industries which had taken loans under the State Aid to Industries Act or loans from the Kerala Financial Corporation. The risk, that was covered extended to fire, lightning, riot and strike and damages according to the terms of the policy. The rates of the premium and benefits accruing to the proposer were based on the rules and regulations of the Madras Fire Insurance Association.

11.47. The witness read out the facts of the case, which was as follows:

“The.....Company of India limited was granted a loan of Rs. 7.75 lakhs by the K.F.C. in June, 1954. The total value of acceptable assets was reckoned at Rs. 11,70,739 at the time of granting of the loan. In December, 1958 the K.F.C. made it obligatory that all industries getting loans from the K.F.C. should take out an insurance policy from the State Insurance Deptt. In the original policy taken out by the of India Limited, on 29-6-1959 there was a coverage for Rs. 8.07 lakhs, the premium being Rs. 5,208.81nP. At the time of the fire accident, on 16th December, 1963 the policy was current upto 21-6-1964 for a coverage of Rs. 8.8 lakhs. With additions to the buildings and machinery and setting off depreciation, the premium being Rs. 6,593.”

“On report of the accident M's. & Co., Bombay, surveyors of the State Insurance Deptt. assessed the damages at Rs. 2,01,000/- although the claims of the Company was a much larger amount Rs. 3.75 lakhs.)

(One paragraph of the Survey Report of the Surveyors relates to night work (as the accident occurred at night) which is extracted below:)

hours of 9.30 p.m. and 5.30 a.m.”

“It will be observed that night work had been going on in the Factory while there was a warranty in the insurance policy which did not allow any night work between the

11.48. The State Insurance officer had reported to the Government that the question of breach of warranty regarding night work had been left by the surveyors to be decided by the Department. The normal practice of insurance companies in similar circumstances was to entertain the claims. The State Insurance officer had further stated that “in order to keep up good business relations and reputation, *minor defects* in policy have necessarily to be rectified at the time of settlement of claim.” Orders were issued on 7th April, 1964 sanctioning the payment of Rs. 2.01 lakhs to the company. The State Insurance officer had collected an extra premium of Rs. 628 for night work and had settled the claim. The actual expenditure incurred by the State Insurance Department in settling the claim was Rs. 40,200 and Rs. 711 to the assessors. The rest of the expenditure was allotted to the re-insurers proportionately.

11.49. In reply to a question, the witness stated that the usual commercial practice had been followed in this case. The witness added: “what I submit is that it is not usual for insurance companies to be very strict in regard to *minor breaches*”. Insurance Companies had considered it very unhealthy that they should be dragged into litigation or arbitration for repudiation of claims on minor grounds. In reply to another question, the witness stated that if it was accepted that there was no claim because there was breach of warranty, the claim would have to be repudiated in full. On being pointed out that the risk was not insured in this case, the witness stated that the settlement in this case was not covered by the terms of the agreement.

11.50. The Committee pointed out that the factory had taken the policy with the State insurance Department in June, 1959. Provisional premium was paid only on 15th September, 1963. Final renewal premium was paid only on 10th December, 1963 and the accident had occurred on 16th December, 1963. The witness stated that at the time of the accident on 16th December, 1963, the policy was current upto 21st June, 1964 for a coverage of Rs. 8.86 lakhs. On being asked whether any legal opinion was obtained in this regard, the witness added that the legal opinion was that under law, no payment was due and after the additional premium was obtained, the Department had a liability to pay.

11.51. When the Committee pointed out that the legal opinion was taken after collecting the premium of Rs. 628, the witness stated that

even without the legal opinion, it was clear in law that no payment was due. The claim was settled in keeping with the practice of other companies. Even in the report of the assessors, it was stated that there was a breach of warranty. A copy of the report was sent to all the re-insurers intimating the share of the loss to be borne by them. None had raised any objection except one who had asked whether the additional premium had been collected.

11.52. In reply to a question, the witness stated that the risk was not covered previously because there was no resort to night work. It was taken up only later on. On being pointed out that it was a clear case of financing a loss after it had occurred, the witness accepted that it was so, and that there was no legal obligation to pay. It was done only on the basis of what was being done by the other companies and they had consulted the Oriental Insurance. The witness stated that it became an obligation only after the additional premium was received.

11.53. The Committee feel that in this case not only there was a breach of warranty but also a claim was paid in respect of the risk which was not insured at all. The subsequent acceptance of the extra premium of Rs. 628 perhaps imposed some obligation to pay this claim. But neither in law nor in practice any Insurance Co. is bound to pay claim for the risk which was not covered. The Committee feel that the Government had been over generous at the cost of the tax payer in this case. The desire to keep good business relation should be conditioned by the over-riding interest of the tax payer. The Committee hope that such cases would be avoided in future.

XII

GENERAL

12.1. During the course of examination, the Committee have come across the following types of cases in the matter of designing and execution of works in the State:—

- (i) defective preparation of estimates and consequent acceptance of a tender other than the lowest (Para 8.5),
- (ii) defective execution of works (Paras 8.95, 8.181, 8.184).
- (iii) incorrect fixation of quantities of works to be executed (Para 8.14),
- (iv) additional payments to the contractor which could have been easily avoided (Para 8.136),
- (v) unjustifiable increases in rate (Para 8.145), and
- (vi) cases of faulty estimate/design (Paras 8.23, 8.168).

12.2. These point to the necessity of an administrative technical check on the execution of works by the State P.W.D. In this connection the Committee recall that in the Centre there is an organisation under a Chief Technical Examiner who is responsible for effecting an independent and uninterrupted technical audit of the works executed by P.W.D. The Committee recommend that Government should consider the setting up of a similar organisation in the State.

NEW DELHI;
March, 18, 1966.

Phalguna 27, 1887 (Saka).

R. R. MORARKA,
Chairman,
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	1.7	Finance/Home Deptt. (Govt. of Kerala)	The Committee, learn from Audit that para 53 of the Travancore-Cochin Budget Mannual relates to modifications to the budget estimates for the subsequent year. Paras 78-80 of the Budget Manual provide for provision of funds by re-appropriation while paras 84-85 ibid allow taking of supplementary demand to cover additional expenditure. The Committee are therefore unable to accept the argument for not submitting proposals for Supplementary Demand.
2	1.8	Do.	Nor do the Committee appreciate the contention of the Department that one of the reasons for allowing the excess to remain uncovered can be attributed to the fact of non-furnishing of reasons for variations for amounts less than 10% or Rs. 10,000, whichever is less in the Appropriation Accounts.
3	1.9	Finance Deptt. (Govt. of Kerala)	The Committee would like the various Departments to point out such misclassifications to Audit immediately after they came to notice, for rectification.

1	2	3	4
4	1.11	Finance (Govt. of Kerala)	From the note furnished, the Committee find that the amounts in satisfaction of court decrees were drawn in the months of October and November, 1963. Since there was sufficient time after the drawal of the amounts, the Committee do not understand why Supplementary Demands could not be obtained during the financial year to cover this expenditure.
5	1.12	Do.	The Committee find that excesses occurred in several cases due to laxity of financial control and loose budgeting. The Committee feel, therefore, that a greater degree of financial control and accuracy in budgeting are called for in order to minimise cases of excesses. The Departments which have incurred expenditure in excess of the grants for two consecutive years need special attention.
6	1.13	Finance (Govt. of India) <u>Finance (Govt. of Kerala)</u>	Subject to these observations, the Committee recommend that the excesses disclosed in the Appropriation Accounts, 1962-63 and 1963-64 be regularised by Parliament in the manner prescribed in the Constitution.
7	2.17	Agriculture Deptt. (Govt. of Kerala)	An unhappy feature of this case is that although the requirements were estimated at 13,908 tons of bonemeal, and funds for subsidy were available for 6,000 tons, yet instead of attempting to purchase 6,000 tons, this quantity was split up into two lots and tenders were invited for 4,000 tons only, at the beginning. The arguments advanced for doing so, that there was paucity of funds and there was scarcity of

bonemeal in the market and that if all the requirements were put together in the tender the prices would have gone up are not convincing. For, funds for the entire amount of 6,000 tons were available and the entire quantity was actually purchased, though in different lots and prices paid for the second lot of 2,000 tons were much higher than the prices paid for the first lot of 4,000 tons. In the opinion of the Committee, the futile and prolonged efforts of the Department to procure 2,000 tons of bonemeal through negotiations instead of through proper tender, were hardly justified. In these circumstances, the Committee are unable to find proper justification for not purchasing all the 6,000 tons of bonemeal in one lot, which resulted in an extra expenditure of Rs. 22,740, which was avoidable. The Committee would, therefore, desire the Departments to guard against such cases which result in unnecessary expenditure to the Exchequer.

229

8 (i) 2.28

Do.

While the Committee appreciate that a research project of this nature does take time to mature, they feel that the time taken in this case was excessive. This was partly due to the subsequent decision to abandon the old site of the farm. The Committee also feel that if the delay of four years in abandoning the old site of the farm had been avoided, a substantial part of the expenditure of about Rs. 1.45 lakhs incurred on the old site could have been avoided.

(ii) 2.29

Do.

The Committee hope that there would not be any undue delay in starting the actual research work at the new site of the Koothali Farm.

1	2	3	4
9	2-37	Agriculture (Govt. of Kerala)	<p>The Committee feel perturbed over the revelations made in this case. The Committee find from the copy of the D.O. letter No. 1457/60/A.D. (As. p. 4) dated 15-2-1960 from the Secretary Agriculture Department to Director of Agriculture furnished at their instance that the Report of the experts dated the 17-3-1958 clearly showed that the land was unfit for the purpose of starting the Research Farm. The Secretary had also pointed out that the inspection of the site by the then Director of Agriculture was not exhaustive. The Committee are surprised that in spite of this, the land for the farm was acquired in July, 1958 and May, 1959 at a cost of Rs. 2:33 lakhs after the technical opinion was overruled in 1958 at the Minister's level.</p>
10 (i)	2-38	Do.	<p>In the same letter it has also been revealed that the Director of Agriculture had pointed out that the lands that were being acquired were not exactly the lands that he had seen before and that some of the good lands which had been shown to him and which would have been very useful for the Research Station, were not included in the acquisition. The result is that out of 91.50 acres of land acquired, only 62.75 acres have since been utilised for exploratory trials and an expenditure of Rs. 2,84,543 has already been incurred, excluding land acquisition charges.</p>
(ii)	2-39	Do.	<p>The Committee desire that a thorough investigation should be made in this case in order to find out (i) why the acquisition was made under these circumstances and also (ii) who influenced the ac-</p>

quisition of this land. The Committee desire that responsibility should be fixed for this transaction which appears to be a product of unhealthy influence.

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|--------|------|---|--|
| 11 | 2.42 | Agriculture Deptt.
(Govt. of Kerala) | It is the opinion of the Committee, if most of the buildings were huts which could not be put to any use, no extra amount should have been spent in acquiring them along with the land. |
| 12 | 2.48 | Agriculture Deptt.
<hr/> Finance Deptt.
(Govt. of Kerala) | It passes the comprehension of the Committee, how the affairs of the Co-operative Society deteriorated to such an extent within a short period when an official was the President of the Society and another a Member. It indicates that these two officials were negligent of their duties and responsibilities and had not cared to safeguard the interests of the Government. The Committee would like the Government to take due notice of these lapses. They should also issue general instructions that when government officials are the office bearers of any Societies they should, <i>inter alia</i> safeguard the financial interests of the government, in any dealings of such societies. |
| 13 (i) | 2.59 | <hr/> Finance
Home Affairs
<hr/> Agriculture & Home
Deptt. (Govt. of Kerala) | The Committee feel unhappy to note that there was lack of co-ordination amongst various authorities, civil and defence, as a result of which the jungle area falling within the danger zone of the firing range was cleared and allotted for rubber plantation to individuals. |
| (ii) | 2.60 | Do. | It is surprising that there was "no Gazette notification informing the public of the existence of the range of the danger zone behind it" (<i>vide</i> Minutes of meeting held on 3-7-1962 in the room of Chief Secretary to Government of Kerala). The Committee would desire that |

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in all cases where firing ranges exist it should invariably be the responsibility of the authorities concerned to notify the public about the firing range and the danger zone. Apart from that, special efforts should be made to bring this fact to the notice of the local inhabitants, more so if the range is surrounded by jungle area.

14

2.61

Agriculture Deptt.
(Govt. of Kerala)

It is needless to say that the Department of Agriculture are not also free from blame in this case. It transpired at the meeting held on 3-7-1962 in the Room of the Chief Secretary to Government of Kerala. that even in 1960 when clearance of the forest area was taken up by the Director of Rubber Plantations, there were complaints that firing prevented the contractors from utilising all the time available. But all the action taken at that time was to come to an understanding with army authorities to clearly specify the periods during which the target practice took place in order to facilitate the clearing of the forest growth during the clear period.

232

2.62

Do.

It is clear therefore that the Department had knowledge of the danger involved even in 1960, and in spite of this, they went ahead with the work of clearance of forest and allotment of land for cultivation. This action, which is inexplicable, has resulted in Government's getting involved in paying compensation of Rs. 42,875 which was totally avoidable.

- 15 2 63 Do. The Committee are also surprised that even in 1961 the individuals were not told not to incur further expenditure on the land, when it was officially known that the area came under the danger zone. The Committee hope that such lapses would be avoided in future.
- 16 (i) 3 10 Education Deptt.
(Govt. of Kerala) While noting the difficulties on the practical side that exist about fixing more accurately the number of text-books to be printed, the Committee would like the Education Department to make greater efforts in this regard so that the possibility of large number of text-books becoming obsolete could be reduced to the minimum.
- (ii) 3 11 Do. As regards the obsolete books, the Committee would like the Department to consider the feasibility of distributing them through Adult Literacy Scheme for whose purpose the text-books for schools even though obsolete may be of some use.
- 17 (i) 4 10 Finance (Govt. of India)
Health & Labour
Deptt. (Govt. of Kerala) The Committee feel unhappy to note that despite the fact that the State Government had mentioned in their progress report that the Scheme was not popular they continued to get higher loans and subsidy from the Central Government. The result is that 57.26% of the total assistance received for construction of houses by the State Government had not been utilised by the end of March, 1963. The Committee, therefore, desire that the Central Government in consultation with the State Government should find out whether the Scheme as at present should be continued or not and what alternative scheme, if any, should be devised.

1	2	3	4
(ii)	4 11	Health & Labour Deptt. (Govt. of Kerala)	The Committee would also like to be informed of the recoveries made so far against loans advanced to private employers.
(iii)	4 12	Do.	In a written note submitted subsequently the Committee have been informed that as the final figures are yet to be arrived at, it is not possible now to know the exact amounts spent out of the subsidy portion as well as loan portion of the assistance from the Government of India. The Committee would like to be apprised of this information at an early date.
18	4 14	<u>Finance (Govt. of India)</u> <u>Health, Labour & Finance</u> Deptt. (Govt. of Kerala)	While the Committee note that the Subsidised Industrial Housing Scheme is a State Plan Scheme for which financial assistance is given by the Government of India to the State Governments and through them to other approved agencies for the construction of houses for industrial workers, it is unfortunate that the Government of India continued to give assistance in spite of the fact that the scheme had not been popular as pointed out by the State Government itself. The Committee would, therefore, like that apart from correcting anomaly in regard to the assistance being larger than the expenditure, the broader aspects should also be considered with regard to similar schemes that might have been included in the Plans of other States.
19	4 21	Health & Labour Deptt. (Govt. of Kerala)	The Committee regret to find that Government took eleven years to come to the conclusion that the scheme was a failure and therefore the land should be utilised for some other purpose. It is unfortunate

that Government should have taken such a long time to come to the conclusion that the scheme was not succeeding.

- 4.22 Do. In the opinion of the Committee one of the reasons for the failure of the scheme is the fact that the scheme was not fully discussed with the industrialists and no written agreements were executed with them. Moreover, no initiative was taken by the Department to persuade the industrialists to come forward except to ask the Collectors to persuade the industrialists. Therefore the whole matter was treated in a routine manner and it was not given the attention it deserved.
- 20 4 26 Do. The Committee trust that decisions in respect of all the three cases will be taken at an early date so that the land could be properly utilised.
- 21 4 32 Do. The Committee deprecate such delays which result in huge loss of rent to Government. They hope that while building houses, simultaneous provision for ancillary services would be made so that there is no time lag between the completion of the construction of the buildings and their occupation.
- 22 4.40 Health & Labour
Finance
Home Deptt.
of Govt. of Kerala The Committee, are not convinced with the reasons advanced for the delay in taking disciplinary action. The Committee find from the notes furnished that on the basis of Quilon Distt. Collector's Report submitted on 12-6-63 the Distt. Collector, Alleppy was directed by the Board of Revenue not to issue the "non-liability" certificate

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to the Tehsildar involved, who was working as Block Development Officer in Alleppy District. The records which were with the Distt. Court (due to which it was stated, disciplinary action could not be initiated by the Collector) were received back on 31-5-1963 and the Tehsildar involved retired from service in March, 1964. The Committee are surprised to find that inspite of the fact that, at the instance of Govt., the Board of Revenue required the District Collector as early as in September, 1961 to fix responsibility for the irregularity, and to examine the question of recovering the amount involved from the persons responsible, the matter has been allowed to linger for more than 4 years. In the meantime, the Tahsildar involved in the case has retired from service in March, 1964. Such abnormal delays in finalising a case, despite Government orders, are indicative of slack Administrative machinery.

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(i)

4 41

Health & Labour
Finance
Home Deptt.
(Govt. of Kerala)

The Committee have also been informed that necessary action for finding out officers responsible for the delay in this case is being pursued by Government in the Revenue Deptt. The question of issuing suitable orders and instructions for preventing the recurrence of such cases, is stated to be under consideration of Govt. The Committee hope that action on both these points will be taken without further loss of time and intimated to the public Accounts Committee.

23 (i) 4 46

Do.

The Committee regret to note that during the period from 1956 to 1959 nobody took serious responsibility in regard to the spill-over works of the Rural Water Scheme (Composite). The Committee need hardly emphasize that such an attitude on the part of Govt. Deptts. and officials, especially in cases where the people have spent money for obtaining benefits, should be viewed seriously by the Government and such tendencies should be curbed by taking deterrent disciplinary action against delinquent officials promptly. Transfer of an item of work from one Deptt. to another should not be taken as a valid excuse for neglecting that item of work, nor should it present any insuperable difficulty in fixing responsibility for such negligence.

(ii) 4 47

Home Affairs
(Govt. of India)
Home Deptt.
Govt. of Kerala

In this connection, the Committee would like the Govt. to review the procedure for taking disciplinary action in the case of employees of the State Government and see whether such action could not be speeded up to avoid difficulties in locating responsibility due to lapse of time.

237

24 (i) 4 52

Health & Labour Deptt.
Govt. of Kerala

The Committee are unable to accept the reasons advanced for the delay on the part of Director of Health Services in communicating his recommendation to Government. It is incomprehensible that when it was known that the validity of the tenders expired on 31st July, 1962, a time of about two and a half months was taken only in tabulation and the recommendations were made on 6th August, 1962 after the period of validity of the tenders had already expired.

1	2	3	4
(i)	4-53	Health & Labour Deptt. of Govt. of Kerala	<p>The Committee also feel unhappy that due to the delay on the part of Directorate of Health Services, Government were involved in an extra expenditure of Rs. 13,000. which was avoidable. The Committee note that in this case, the responsibility has been fixed and disciplinary action taken for the undue delay that occurred in the tabulation of various items involved. They would like that suitable instructions are issued by the Finance Department that in all cases decisions with regard to tenders should invariably be taken within the prescribed date to avoid possibility of financial loss to Government.</p>
25	4-64	Do.	<p>The Committee fail to understand how the work was awarded only on the basis of the hypothetical lowest tender in this case, as it has been stated in the note that during actual execution practically the whole conveyance was for long distances and even the first work undertaken under this contract was transportation of cement to a distance of 194 miles.</p>
26	4-65	Do.	<p>Since the basis on which the tenders are invited does not give a correct idea of the two factors involved, namely, the quantity of material and the distance over which it is to be conveyed, the Committee feel that tenders should be invited on a more realistic and correct basis giving the precise nature of the work involved.</p>

- 27 4 67 Do. The Committee agree with this view of the Secretary, Ministry of Finance and desire that the position should be reviewed and the present system of inviting composite tenders and awarding contracts which more often than not work in favour of the contractor, should be discontinued.
- 28 4 79 Health, Labour & Finance Deptt. of Govt. of Kerala The Committee regret to learn that one of the reasons of the failure of the scheme was due to the fact that some of the colonies were in far away and out of the way places and people were not willing to stay there and that the loan amounts due were not being repaid in proper instalments. This is all the more surprising in view of the fact that the Scheme has been in existence from the First Plan period; a sum of Rs. 15,85,228 was outstanding recovery on 30-9-1965. and yet, knowing that the Scheme was a failure, money had continued to be spent on the Scheme in its existing form without any improvement. They fail to understand why the Scheme had not been reviewed after the first stage when it must have been clear that the people for whom the Scheme was introduced did not like it.
- 29 4 80 Do. From the facts placed before the Committee, they are convinced that the Scheme was introduced without properly examining all its aspects. The initial mistake was in the selection of sites, as admitted in evidence. Knowing the habits and customs of the people, the Govt. failed to take note of them in the Scheme. Secondly, although execution of agreements with the agencies responsible for implementation of the Scheme was an essential part of the Scheme, in
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			<p>most of the cases, the agreements were not executed. In other cases where the agreements were executed, the same proved defective. As a result of all this the Government is yet to recover an outstanding amount of Rs. 15,85,228.</p>
		Health, Labour & Finance Deptt. of Govt. of Kerala	<p>In these circumstances, the Committee feel that a review of the Scheme is called for at an early date in order to find out to what extent the Scheme needs modification so as to be of real benefit to the poor homeless and landless people. They have been informed in the written note that no provision has been proposed for the Scheme in the Fourth Five Year Plan.</p>
30	4.84	Do.	<p>The Committee see no reason why the agreements could not be executed before advancing the loan or at least immediately thereafter. The reasons given for the delay in those cases are not convincing. These are definitely failures of the Department concerned.</p>
31	4.86	Do.	<p>These facts relating to these Societies indicates that the Scheme has largely been a failure.</p>
302	4.89	Do.	<p>At the instance of the Committee, a note has been furnished indicating action taken on the recommendations contained in para 179 of the Report of Kerala P.A.C. 1963-64. The Committee find that although some progress has been made in some cases, much headway has not been made in respect of other cases. They would like the Department to pursue these cases vigorously.</p>

33 4'91

Do. The Committee are not convinced with the reasons for the delay in recovering the dues from the Society. Six years time is more than enough for settling the procedural matters or other difficulties. They, therefore, desire that the matter should be settled forthwith.

34 4'97
4'98

Do. The Committee feel that in view of the fact that the Municipal Sweepers etc. were at present not paying any rent for their land and had been supplementing their income from the products of the land and expected to become owners of the land ultimately, they could not be expected to shift to the Municipal tenements, where they have to pay rent out of their meagre income. and which they would have to vacate on their retirement.

In the circumstances, the Committee would suggest that the feasibility of an alternate scheme suitable for the sweepers etc. may be considered and the tenements let out to others who are willing to pay the normal rent.

35 (i) 4.100

Do. The Committee regret to note that although the Society got possession of the buildings on 18-9-1957,* there is no record to show whether individual members who occupied the buildings paid any amount to the Society. The Society had become defunct from July, 1961. In this case also, the Scheme has proved a failure.

(ii) 4.101

Do. It is regrettable that owing to various shortcomings and lapses in the formulation and implementation of the Housing Scheme (such

*According to Audit it was "June, 1956"

as location at far away and out of the way places, lack of amenities like electricity, aversion of the people to settle together etc.) the Scheme on the whole has proved to be a failure. The Committee would therefore like that in the review to be conducted, as suggested earlier, it should be specifically found out what the lapses and shortcomings were, so that they could be avoided in future. The Committee feel that in the Schemes of this nature, the felt needs of the would be beneficiaries, and their ability to repay the loans etc. should be realistically assessed beforehand to ensure the success of the Schemes without unintended financial loss to Government.

36 (I) 4.111

Health, Labour and
Finance Deptt. of
Govt. of Kerala

It is indeed surprising that the Government approved the proposal for maintenance of proforma accounts (as stated in evidence) in 1956 and yet nothing concrete has been done so far in this matter. The Committee find from the note that on 4-4-1956 Govt. referred to Chief Engineer for remarks on the suggestion of the Accountant General for the preparation of proforma accounts. But no action seems to have been taken in the matter. Yet, only on 20-1-1962 the Chief Engineer informed Govt. that it was not possible to prepare the proforma accounts because accounts of expenditure were not traceable. It passes the comprehension of the Committee as to why the Chief Engineer could not point out even in 1956 that the accounts were not available, but needed repeated reminders for several years to furnish this simple information. Such indifference to

duties and responsibilities on the part of the Chief Engineer is inexcusable.

- (ii) 4·112 Do. Now that the matter has been unconscionably delayed, the Committee would desire the Government to hold a meeting with the representatives of Audit and Chief Engineer and come to a definite conclusion as to how the proforma accounts are to be maintained and from which year.
- 37 4·122 Do. In the opinion of the Committee, efforts should have been made to collect the dues currently from the municipalities. Even when there was dispute, prompt steps should have been taken to recover from the municipalities on account payment at the old rates, so that the accumulation of arrears would not have been so heavy.
- 4·123 Do. The Committee suggest that the question of arrears should be carefully and realistically examined by the Government in consultation with the concerned municipalities and final decision taken about them.
- 38 4·126 Finance Deptt. of Govt. of Kerala. The Committee desire that proper attention should be paid to audit paras and replies should invariably be sent within the time-limit of six weeks. In exceptional cases, the position should be explained within the time and a final reply sent as soon as possible thereafter.
- 39 4·133 Health & Labour Deptt. of Govt. of Kerala. The Committee feel unhappy about the manner in which this case had been dealt with. In terms of the agreement the contractor
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was to provide at his cost special implements, cranes, etc. But on his agreeing to pay the usual hire charges, a crane was hired from Government Engineering Workshop and supplied to the contractor. While hire charges paid to the workshop were Rs. 57,582, the amount decided to be recovered from the contractor for this purpose was Rs. 3,326 only. The crane was also operated by an employee of the P.W.D. The Committee have also been informed in a written note that the crane was used by the contractor for 776 hours in 238 days. The Committee are unable to understand why this special concession was given to this particular contractor by the Department by incurring an extra expenditure of Rs. 54,256. Nor do they understand why terms and conditions are included in the contract which are not insisted upon.

40 4.135

Health & Labour Deptt.
of Govt. of Kerala.

The Committee desire that an early decision should be taken in this matter and the case settled finally.

41 (i) 4.140

Do.

The Committee notice that the point for objection arose only after the Chief Engineer enhanced the rates in September, 1960. They are surprised to note that although Audit brought the irregularity to the notice of the Department in 1962, orders for the recovery of the excess payment to the contractor were issued only on 13th April, 1964. If prompt action had been taken in the matter, it could perhaps have been possible to recover the excess payment of Rs. 8,900 from the contractors.

(ii) 4.141

Do.

Such long delays even after irregularity of serious nature is discovered or reported by audit appear to be a common feature of Kerala administration. The Committee feel very unhappy at such a sorry state of affairs and express their grave concern.

(iii) 4.142

Do.

As regards recovery from persons responsible, the Committee would like speedy action to be taken. They would also like the Department to examine if any action is called for against the contractors.

42 5.8

Revenue Deptt. (Harijan Welfare Deptt.) of Govt. of Kerala

The Committee regret to note the various irregularities disclosed in this case. The scheme was meant for scheduled castes and grants were given to private individuals or cooperative societies formed by them in the particular area. But the construction work relating to 73 houses in different areas was given to the President of a Handicraft Cooperative Society of a particular area, without inviting tenders, on the specific order of the Director of Harijan Welfare. This was done on the plea that no beneficiary was forthcoming as stated by the District Officer. The same District Officer had failed to execute any agreement with the contractor on the ground that there were no specific rules on the subject in the scheme. In addition to that, there was a false certificate by the Junior Engineer and the payment was made to the contractor.

215

43 5.9

Do.

In the opinion of the Committee, all these go to show that rules have been violated by more than one officer resulting in a loss of about Rs. 9000. It is also surprising that it took the Department six

1	2	3	4
			years (1958-1964) to assess the loss. This matter needs therefore to be investigated further and responsibilities fixed and the defaulting officers punished suitably.
44	5-10	Revenue Deptt. (Harijan Welfare Deptt.) of Govt. of Kerala	The Committee also feel that the checks exercised by the Department on their officers were perfunctory and need to be tightened up.
45	5-18	Do.	It is really amazing that in this case also the contract was given to the same contractor (President of a Handicraft Society) for the entire work which was split up into sixteen items in order to enable beneficiary societies like Harijan Welfare Cooperatives to undertake the work. It is all the more surprising that ratification of this splitting up of the work was done much later, when the work had already been allotted to a single individual against the spirit of Govt. orders. As there is no mention as to whether Government were aware of this fact when the ratification was done, the Committee would desire that it should be investigated whether the fact, that the entire work had already been allotted to a single individual and not to the beneficiary societies for which ratification was made with the approval of the Minister of Local Self-Government, was brought to the notice of the Minister before his orders for ratification were taken. If not, the persons responsible for suppressing such material fact should be suitably punished.

- 46 5-19 Revenue Deptt. (Harijan Welfare Deptt.) of Govt. of Kerala. The Committee do not understand as to why the loss incurred due to the abandonment of the work by the contractor has not yet been assessed, although the contractor abandoned the work as long back as May, 1959. The Committee desire that the assessment of loss should be completed without further delay. Result of the prosecution of the contractor as mentioned in the Audit para may be communicated to the Committee.
- 47 5-20 Do. The Committee feel that these two cases of allotment of all the works to a particular individual, while ostensibly the works were to be given to beneficiary Harijan Societies etc. disclose a pattern which has to be scrupulously avoided if real benefit is to be given to the poor Harijans of the State. Otherwise there would be waste of Govt. funds which will benefit people who manage to obtain contracts by means not necessarily fair in contravention of rules and Govt. orders.
- 48 6-22 Industries Deptt. of Govt. of Kerala. The Committee regret that in the case of the Industrial Estate Ollur, due to lack of co-ordination and delay in acquisition of land (Note furnished at the instance of the Committee) improvement in and additional supply of drinking water has yet to be made although steps were stated to have been taken to provide piped drinking water as far back as 1960. The Committee need hardly emphasise that delay in providing basic amenities like water, etc., result in delay in achieving the main objective of the scheme and also it results in heavy losses to the public exchequer.
- 49 6-23 Do. Another aspect which has caused concern to the Committee is the fact, as stated in evidence, that while efforts were being made for

obtaining supply of water, no one connected with the scheme knew that only at a distance of two furlongs there was a tank whose supply was found to be sufficient in 1961. This only indicates that no proper thought was given to problem at the time of construction of the sheds etc. and there was failure even to survey the area properly. Such lapses, the Committee trust will be avoided in future.

50 6-24

Industries Deptt. of
Govt. of Kerala

As regards delay in providing approach roads and sanitary arrangements in the case of Olavakot Estate, the Committee regret to find from a note furnished subsequently that there had been delay in the construction of roads and sanitary arrangements, which cannot be justified. The Committee are hardly impressed by the plea that since this was the first estate to be constructed, these deficiencies were found. The Committee feel that the work involved in construction and providing the amenities was of a normal and usual nature and hence there should have been no difficulty in ensuring proper coordination and speedy implementation.

248

51 6-29

Do.

The Committee regret to note that even now some sheds (in Kollakadavu and Palayer Estates) remain unoccupied. They hope that the Department will make further efforts to see that none of the sheds remain vacant, as it results in continuous loss of rent to Government.

52 6-33

Do.

The Committee note from the statements furnished that arrears of rent (Estate-wise) upto 31-12-1963 had been Rs. 35,084.25. But although the collection of arrears since 31-12-1963 amounted to Rs. 36,105.88 the balance of arrears at present is as high as Rs. 58,578.37. The position, therefore, is far from satisfactory. The Committee desire that vigorous steps should be taken to wipe out the arrears as also to ensure that arrears of rent do not accumulate any more.

53 6-34

Do.

They would also like the Department to consider the imposition of penal rate of interest on arrears of rent in the case of persistent defaulters as the agreement provides for charging of penal rate of interest.

54 6-38

Works and Housing
Finance
Govt. of India
Industries Deptt.
Finance Deptt. Govt.
of Kerala

The Committee can find no justification for such an inordinate delay in finalising the method of calculation of rent. The delay in revision of rent, according to Audit has resulted in an annual average loss estimated at Rs. 1.46 lakhs. In the opinion of the Committee, the responsibility for this annual loss lies more on the Govt. of India than on the State Government. They would, therefore, like that an enquiry is held to find out how such delay occurred in the Govt. of India and to fix responsibility therefor.

55 6-39

Do.

The Committee further desire that action to implement the decision regarding calculation of the rent should be finalised without delay and the question of claiming subsidy should also be settled.

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56	6.50	Industries Deptt. of Govt. of Kerala	<p>The Committee are glad to be informed: "apart from the fact that the scheme itself was a remunerative one, the land is continued to be cultivated. Agriculture is being done therein and it is giving a very good profit."</p>
57	6.64	—Do.—	<p>The Committee are perturbed to note that in the principal agreement executed on 3-5-1958 no mention was made as to whether the rate of seigniorage applied to dry bamboo or green bamboo, despite the fact that on 7-4-1958 the Law Secretary raised a query on this specific point. This omission continued even in the supplemental agreement executed on 6-8-1962. This point was clarified only on 6-7-1964 through a Government Order.</p>
	6.65	—Do.—	<p>The Committee feel that omission to specify clearly in the agreements the nature of bamboos to which the rate of seigniorage applied is serious and not unintentional lapse, especially when this matter was specifically raised by the Law Secretary. The Committee desire that the responsibility for this omission should be fixed. They are of the opinion that immediate steps should be taken to incorporate the clarification also in the agreements and it should not be left to Government Order.</p>
58	6.66	—Do.—	<p>The Committee are amazed at the manner in which seigniorage rate was finally fixed in the present contract. On the 20th October, 1956, the Adviser to the Governor, on the basis of a request received</p>

on 16th October, 1956 in writing from the representative of the Company in New Delhi, held discussions with the officers of the Government of Kerala and it was decided that the seigniorage rates prevalent in Malabar should be payable. But in evidence, the Committee were informed that there was no seigniorage rate prevalent in Malabar area. The Committee are unable to understand, how, when there was no seigniorage rate prevalent in Malabar, Government could decide on 20-10-1956, that a rate which was non-existent would be made applicable in the case of the contract.

59(1) 6 67

—Do.—

What is more than surprising is the fact that while the prevalent rates for small amounts of bamboos in Travancore-Cochin was Rs. 9.37 per 100 bamboos and the Company were agreeable themselves to pay seigniorage at the rate of Rs. 5/- per 100 bamboos (which works out to Rs. 2:80 per ton based on the conversion rate of 56 air dry bamboos per ton adopted in the report of Stock-mapping of the forest area conducted by the Department in March, 1956) and the Industries Secretary in his note dated 31-3-1958 had stated that the rate of Rs. 5/- per 100 bamboos specified in the draft agreement was rather low and had to be examined further, the seigniorage rate finally accepted was Re. 1/- per ton as a result, of the discussions held between the government and the representative of the company, between 20th and 23rd March, 1958. How and why this rate was arrived at, at whose instance this was done and on what grounds—are all shrouded in mystery as no minutes of the discussions held between 20th and 23rd March, 1958 are stated to have been kept.

1	2	3	4
(ii)	6.68	Industries Deptt. of Govt. of Kerala	Further confusion arose because ultimately the rate of seigniorage was Re. 1 per ton, whereas the rates earlier all along related to numbers and not weight. Since the weight of green bamboos is more than air-dry bamboos, this change without specifying the number of green bamboos that would make a ton needs clarification as to what this rate of seigniorage amounts to as compared to prevalent rates and the rates offered by the firm.
60	6.69	—Do.—	The Committee would like to emphasise that it is essential that written records of all discussions held or decisions taken or negotiations conducted especially with regard to contracts, must invariably be maintained by all government representatives concerned.
61	6.78	—Do.—	The Committee cannot appreciate why the Government did not revise their rates at least at the time of Supplemental agreement in 1962. The fact that the Company agreed to pay Rs. 7.50 per ton instead of Re 1/- shows that: <ul style="list-style-type: none"> <li data-bbox="820 784 1658 847">(a) that the prevailing rate at the time was not less than Rs. 7.50; and <li data-bbox="820 860 1563 892">(b) the Company had the capacity to pay higher rates.
62	6.79	—Do.—	The Committee are unable to appreciate why no agreement was executed for this purpose. They deprecate this tendency to regulate contracts and conditions applicable thereto by means of correspondence and Government Orders, which do not have the force and

validity of a written contract and agreement. It is needless to point out that this irregular method of working contracts is fraught with risks which may involve Government in financial losses and other complications. They would therefore, suggest that there should be a written agreement in proper form about this extra extraction of bamboos.

63 6.81

Do.

From a study of the principal agreement dated 3-5-1958 the Committee find that not only in the preamble it has been clearly indicated that the Company intended to set up "a Factory for the manufacture of rayon grade wood pulp" and the Company was "desirous of obtaining a grant from the Granter of the exclusive right and licence to fell, cut and remove bamboos from certain areas in the Nilambur Valley in the State of Kerala for the purpose of converting the same into Rayon Grade Wood Pulp or for purposes connected with the manufacture thereof." but also clause 1(b) of the agreement specifically lays down:

"It is expressly understood that the bamboo extracted by the company as per this agreement shall not be used for purposes other than those hereinbefore mentioned."

Therefore, it passes the comprehension of the Committee, how, in contravention of the provisions of the agreement, the Company were allowed to produce paper grade pulp in the initial period of manufacture. The Committee would like to know under what authority and at whose instance this concession not permissible under the written agreement, was given to the Company.

1	2	3	4
64	6 82	Finance Deptt. of Govt. of Kerala.	The Committee are surprised that after the failure of the Company to abide by the terms of the contract, the question of revising the contract was not considered, nor was a notice issued to the Company under clause 14 of the agreement.
65	6 87	Do.	Another lacunae in the agreement is the absence of any clause enjoining the setting up of the Factory by a particular date.
66	6 89	Do.	The Committee find from the note furnished at their instance that in the Felling Rules no time-limit for removal of bamboos has been prescribed and only on 16-8-1965 the Chief Conservator of Forests in a d.o. letter to Conservator of Forests, Khozikode has stated that the bamboos collected by the Company should be removed within one month positively. This is yet another lapse on the part of the Government in framing the agreement and the terms, conditions and rules thereunder.
67	6 91	Finance (Govt. of India) Labour, Employment & (Rehabilitation Deptt. of Lab. & Emp.) (Govt. of India)	The Committee do not know whether such agreements between a Company (private) and Government with regard to labour are normal features of the Government of Kerala but they feel that some of the conditions in the agreement cannot be called normal or usual.
		Finance Deptt. Industries. Deptt. of Govt. of Kerala.	They would particularly refer to the following:—
			"1. That it is the right and responsibility of the Company to maintain discipline and efficiency in the plant, and to hire

labourers and to discharge them for any cause which to the Company appears just, and to relieve labourers from duty on account of inefficiency or lack of work or other valid reasons subject only to the provisions contained in the Standing Orders of the Company consistent with the statutes in force."

"5. That bonus will not be related to the Company's profits or earnings but where found necessary by the Company will only be related to and paid on efficiency and productivity, according to schemes which may be formulated by the Company from time to time."

"6. (a) The Government covenants that the Company observing and performing the several functions and stipulations indicated herein shall peaceably hold and enjoy the premises, liberties and powers granted in pursuance of this Agreement or any other Agreement without any interruption by the Government or any person rightfully claiming to act for them. Government shall at all times endeavour to bring about cordial relationship between management and labour and in the case of any dispute involving harassment of the management and/or any other illegal act resulting in interruption in production, take timely and positive steps to prevent such occurrences.

(b) The Government agree with the Company that it will be difficult for them to carry on their activities, if the conditions obtaining at the time of starting their work are materially altered, and new burdens imposed on them in subsequent years. They will, therefore, do their utmost to ensure that the laws, rules and regulations, relating to the Company's relations with labour, and taxes and levies on the Company, are so administered as not to materially alter the conditions under which the Company begins its operations."

The Committee would like to know if this type of agreement has been executed by the Government of Kerala with any other Company and if not, what are the special reasons and circumstances for doing so in this particular case.

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6-92

Fin. Deptt.
Industries Deptt. of
Govt. of Kerala.

The Committee would suggest in the circumstances that the agreements, orders etc. in connection with the present contract with the Company should be thoroughly scrutinised with a view to plugging all the loopholes and lacuna and to fixing revised rate of seigniorage which would be consistent with the rates of seigniorage prevalent in the neighbouring areas.

69

6-112

Do.

The Committee are far from happy to note the manner in which this case has been dealt with. They are unable to understand as to

why in the first instance, the Government of Kerala should help a private industrialist to obtain a licence for setting up of a factory, when the Government themselves were partners in the venture, specially in view of the fact that the projects of this nature come under Schedule A (State Sector) of the Industrial Policy Resolution, 1956. The argument that the question of Government themselves establishing a factory was not considered at all, loses much of its force by the subsequent developments when the same collaborator was prevailed upon to agree to the setting up of a company under the aegis of the Kerala State. In this connection, the Committee would like to draw attention to the notes furnished at the instance of the Committee wherein it has been stated, *inter alia*, "Heavy Transformer manufacture was reserved by the Government of India for the public sector. The Government of India issued a licence to Shri..... on the 26th September, 1961 due to the good offices and efforts of the State Government." The Committee are of the view that, if the State Government had taken the decision, from the very beginning to set up this project in the public sector, in conformity with the accepted policy, the subsequent complications and the payment of Rs. 2 lakhs as compensation to the private industrialist could have been avoided.

257

70 6.115

Finance Deptt./
Deptt. of Industries
Govt. of Kerala.

From the notes furnished at the instance of the Committee, it is seen that the question of placing the Audit Report on the Table of the Legislature is still being considered by the Government. They regret to note that the recommendation of the State Public Accounts

1	2	3	4
			Committee has not been implemented so far. They desire that immediate action should be taken in that direction.
71	6.118	Finance Deptt./ Deptt. of Industries Govt. of Kerala.	The Committee suggest that vigorous steps should be taken to clear the old outstandings relating to all the previous years.
72	6.124	Do.	The figures furnished indicate that the quantum of assistance received from the State Government is very much less, when compared to the quantum received from the Khadi and Village Industries Commission.
73	6.126	Do.	The Committee hope that efforts would be made to achieve the targets of production fixed in respect of various schemes.
74	6.127	Do.	The Committee would also like the Finance Department to ensure that further loans and grants are given after they are satisfied about the proper utilisation of the sums granted earlier.
75	6.133	Do.	The Committee suggest that further assistance to the institutions should be stopped immediately in the event of any diversion of funds for purposes other than those for which the assistance is given. Strict watch should also be kept over the institutions to whom assistance was given to see that they are functioning properly.
76	6.134	Do.	From the note furnished at the instance of the Committee it is seen that the 324 institutions became defunct during the period from 1958 to 1963. Loans and grants from only 45 institutions have been

recovered so far and the amount of Rs. 10.14 lakhs is still outstanding. They hope that early steps would be taken to realise the outstanding amounts.

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| 77 | 6 140 | Do. | The Committee regret to point out that there was inordinate delay on the part of the Board in assessing the loss in this case. It is only now that audit is being conducted to assess the loss relating to the period of 1958. |
| 78 | 6.141 | Do. | The Committee are further surprised to note that no action was taken by the Board to inform either the Government or the Khadi Commission till October, 1964 for which it appears no serious notice has been taken by the Industries Department or the Finance Department. They suggest that early action should be taken against the persons responsible for the loss and a report submitted to the Public Accounts Committee. |
| 79 | 6.144 | Do. | The Committee hope that early action would be taken against the Manager of the Bhavan. |
| 80 | 6.145 | Do. | The Committee would also like the Board to devise a procedure whereby such cases of defalcations do not remain undetected for a long period of time. |
| 81 | 6 148 | Do. | The Committee would like to point out that the absence of payees' receipts is fraught with financial risks. They, therefore, suggest that steps should be taken to obtain proper receipts promptly from the institutions concerned, invariably in all cases. |
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82	7.10	Public Works Deptt. (Kerala State Electric Board)/Finance Deptt. of Govt. of Kerala	The Committee regret that such a serious discrepancy should have occurred during evidence. In his evidence before the Committee the Chairman, Kerala State Electricity Board had tried to explain that the capacity of the treatment plants was about 1,500 to 2,000 poles per month and hence though the requirement of poles was 7,000 every month, only 2,000 was received from the yard. The Committee would like the Department of Finance to issue instructions that the officers who give evidence before the Committee should be sure of their facts and figures to avoid such discrepancies.
83	7.11	Public Works Deptt. of Govt. of Kerala.	The Board had issued tenders for the supply of 50,000 poles and had received the offer for the entire quantity. Hence, the Committee are of the view that if the Board had invited tenders for a larger quantity, there was every likelihood that they would have got the offer for the larger quantity.
84	7.12	Do.	The Committee are unable to understand why no attempt was made by the Board to persuade the supplier who had made the voluntary offer to reduce the price to that of the lowest tenderer.
85	7.13	Do.	In regard to the issue of poles also, the Committee find from the note furnished at their instance, the Board at no time had issued 7,000 poles except during November, 1963 when the issue was 6,982 poles. The view of the Board that the poles would not be available is based more on surmise than on facts.

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- 7 14 Do. From the facts placed before the Committee, they do not find any justification for accepting a voluntary offer from a party who had not given a tender, at an extra cost of about Rs. 1 lakh. It is surprising that even the formality of obtaining a security from the party concerned was dispensed with. The Committee recommend that an inquiry should be held in regard to the circumstances which led to the acceptance of the voluntary offer.
- 86 7 19 Do. The Committee are surprised to note that despite a specific provision in the agreement that the quantity to be executed was only approximate and were liable to vary widely in actual execution and the rates quoted for each item should hold good irrespective of the quantity, the contractor was allowed enhanced rate for quantities of rock blasting beyond 110 per cent of the quantity specified in the agreement which resulted in extra expenditure of Rs. 16,128.
- 7.20 Do. The Committee find no justification for providing a clause in the agreement which was not acted upon. In their view there was no special reason for inserting such a clause of wide variation when normally the clause relating to variation upto 10 per cent only was inserted in contracts if there was no intention to implement it.
- 87 8.5 Do. From the statement furnished the Committee find that the justification for rejecting the lowest tenders in these cases on the ground of their rates being unrealistic vis-a-vis the estimated rates is not borne out. It is clear that in all these cases except S. No. 1, although there was not much difference in the rates quoted by the lowest and
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the second lowest tenderer (whose quotations were accepted), the difference between the estimated rate and the accepted rate was very great indeed. The accepted rates were lower by more than 50% in some cases and in other cases the accepted rates were substantially lower. This only indicates, in the opinion of the Committee, that the estimated rates themselves are too high, and also that this argument of unrealistic rate is used only to give the contract to a higher tenderer by ignoring the claims of the lowest tenderer.

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Public Works Deptt.
of Govt. of Kerala.

The Committee are not convinced with the arguments advanced for rejecting the lower offer in this case. The lowest tenderer was not a fresh man as he had already been given a major work by the Department. The officers' fear that he did not have the capacity to do this work was not based on any ground or experience. The plea of urgency is also that tenable as the work was completed 18 months after the target date i.e. January, 1959. Besides, the Committee are not at all impressed by the argument that the rates quoted by the tenderer were unrealistic. The fact that the accepted rates of the next higher tenderer were also lower by about 31% than the estimated rates shows that the estimated rates of the Department were very high. The Committee find from the statement regarding rates for rock blasting done in the last three years, that except in one case the rates quoted have been lower than the estimated rates and in some cases the rates were substantially lower. This fact also

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confirms that the estimated rates were on the higher side. The Committee feel therefore that the rejection of the lowest tender, resulting in an extra expenditure of Rs. 34,912 lacked justification. The Committee, therefore, desire that a proper inquiry should be held and responsibility fixed for this avoidable extra expenditure of Rs. 34,912. The question of fixing the estimated rates in a realistic manner should also be examined.

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|----|------|-----|--|
| 89 | 8.11 | Do. | The Committee feel unhappy to note that large quantities of trusses had remained unutilised since 1962 till now. The Committee hope that the Department will learn from experience and take steps to avoid the recurrence of such cases. |
| 90 | 8.12 | Do. | The Committee would also like the Department to explore the possibility of utilising the trusses as early as possible. |
| 91 | 8.14 | Do. | The Committee fail to understand how the estimate of the work was made at 12,500 cft. by the Executive Engineer when in actual working the quantity was 1,12,461 cft. The Committee would like the Department to issue strict instructions to the officers concerned to be very careful in checking the figures etc. relating to tenders and contract documents. |
| 92 | 8.17 | Do. | The Committee find no justification for allotting the second construction work for 13 groynes, at rates 8% above the estimated rates, without first ascertaining from the first contractor (who was doing the same type of work at 17.5% below the estimated rates) whether he was prepared to take up the work and what his rates were. As |

the time lag between the dates for inviting the tenders was only three months, the Committee are doubtful whether such a sharp increase in rates (about 30%) within such a short time is justified. Moreover, the Committee find that in several cases dealt with in previous paragraphs, the rates quoted had almost invariably been much lower than the estimated rates. Therefore, when the contractor quoted rates which were 8% higher than the estimated rates, the Department should have tried to negotiate with the first contractor. Alternatively, if the work was not split up, it is likely that the whole work might have been completed at a cheaper cost and extra expenditure of Rs. 71,565 could have been avoided. The Committee hope that such cases of splitting up the sanctioned works, resulting in extra expenditure would be scrupulously avoided in future.

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- 93 8.23 Public Works Deptt. of Govt. of Kerala. The Committee regret to note that proper investigations had not been made originally when estimates were made and therefore it had to be revised from Rs. 3.90 lakhs to Rs. 5.18 lakhs. The Committee feel that it is absolutely necessary in contracts of this nature that all factors are taken into consideration while preparing the estimates and a thorough investigation, including tests, carried out before estimates etc. are prepared.
- 94 8.24 Finance Deptt.
Public Works Deptt. of Govt. of Kerala As regards the abnormal delay in replying to audit Paras, the Committee deprecate the tendency to treat them in a routine manner. In order to avoid such delays, the Committee suggest that each De-

partment might consider the feasibility of nominating a senior officer to deal with audit Paras/draft Paras expeditiously.

- 95 8.29 Do. The Committee are not convinced of the reasons advanced for the delay of about five years in coming to a decision as to how the inquiry was to be conducted. The Committee need hardly emphasize that such unconscionable delays in taking disciplinary action against delinquent officials not only nullify the purpose in view but also may result in the guilty escaping punishment. It is, therefore, desirable that disciplinary action, to be effective, must be prompt.
- 96 8.30 Do. The Committee find from the note furnished that the cases were referred to Police on 4th June, 1962, 25th March, 1963, 24th April, 1963 and 6th March, 1965. But the cases have not yet been finalised. The Committee desire that the progress of these cases should be closely followed and finalisation of the same should be expedited.
- 97 8.31 Do. As regards failure of the supervisory staff to find out the shortage, the Committee would like the present system to be examined so as to tighten control and plug loopholes.
- 98(i) 8.37 Do In this case, the Committee feel perturbed to find that there had been serious lapses on the control over staff and failure to take action in time to take remedial action, which resulted in shortage of stores amounting to Rs. 5.74 lakhs (total of amounts involved in cases (a) and (b) of Audit Report).

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(ii)	8.38	Finance Deptt. <hr/> Public Works Deptt. of Govt. of Kerala	<p>It is surprising that the store-keeper who was found responsible for deficiencies was transferred to another store, without any action being taken against him, thus enabling him to carry on his activities in the second store where a shortage of another Rs. 2.01 lakhs of materials occurred. This person was placed under suspension only thereafter. In the opinion of the Committee, much of the shortages could have been avoided if Government had taken serious notice of the shortages disclosed in the verification of stores conducted in May-June, 1959 at the instance of Audit. The shortages in the second Division could also have been avoided if on the finding out of shortages in the first store, action was initiated against the store-keeper concerned. Failure of the administration to take proper action and the failure to take serious notice of shortages disclosed during physical verification are serious lapses of which due note should be taken and responsibility fixed.</p>
99	8.40	Do.	<p>The Committee desire the Finance Department to issue instructions, if not already done, that immediately after the Audit Reports are placed before the Legislature, these should be promptly examined by the Departments concerned to see what remedial or preventive steps are called for and such steps should be initiated without delay.</p>
100	8.44	Do.	<p>The Committee would like to reiterate the recommendation contained in Section 4, item (ii) (page 34) of the Kerala Public Accounts Committee's 1st Report (1963-64) that Government should</p>

cured by himself, stores from Govt. Deptt. with the approval of the Chief Engineer.

The Committee feel that there are several aspects of this case which reveal lacunae in procedure and practice that had facilitated the cheating, which can be summed up as follows:

- (i) There was no written intimation in advance from the Atomic Energy Authorities about rendering assistance to any of their officers in that particular area.
- (ii) In the absence of such an intimation complete reliance by an officer of the rank of a Collector merely because of a printed letter head produced by the imposter is a strange thing.
- (iii) The then collector was perhaps too gullible in accepting the identity of a complete stranger and issuing letter of recommendation in his favour.
- (iv) Even though there was a letter of recommendation from the collector, Cannanore, the procedure for obtaining sanction for giving the material on loan should have been followed and not deviated from.
- (v) No action was taken to regularise the issue of the stores on loan even after they were issued under orders of

the Chief Engineer, nor was an intimation sent to the Atomic Energy Authorities regarding the issue of the material.

- (vi) When the stores were not returned for sometime, no efforts were made to write to the Atomic Energy authorities, which would have disclosed the fraud earlier.
- (vii) The number etc. of trucks which took away the stores were not noted down.

104 8.79 Home Affairs (Govt. of India)
Public Works, Public Health,
Engineering, Home & Finance
Dep'ts. of Govt. of Kerala.

The Committee appreciate the free and frank statement given before them by the then Collector of Cannanore. They would suggest however that in order to safeguard against such cases arising in future, it is desirable that the feasibility of introducing the following measures is examined:

- (a) The Central Government should issue instructions to all Ministries/Departments/Organisations, etc. under them if not already done, that whenever any assistance is sought by their officers from State Government authorities, a written intimation in advance should be sent to State Government and a copy of the same should be endorsed to the officer of the Central Government. The officer of the Central Government should produce this document so as to enable the State officials to establish his identity before taking any action in the matter.

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			(b) The procedure regarding issue of stores, either on loan or otherwise should be tightened up and suitably amended to plug the loopholes brought to light in this case.
109	8 80	Home affairs (Govt. of India) <u>Public Works, Public Health, Engineering, Home and Finance Depts. of Govt. of Kerala.</u>	The Committee hope that with the detailed information available with the police, they would be able to pursue the case vigorously and apprehend the culprit.
106	8 84	Public Works, Public Health, Engineering Deptts. of Govt. of Kerala.	The Committee note with regret that there was no justification for the delay in the investigation of losses disclosed in this case. They desire, therefore, that the existing procedure should be tightened further so as to reduce the delays in such cases. The Committee also desire that the Public Works Deptt. and the Public Health Engineering Deptt. should take special precaution to prevent clodding of cement during storage or transit.
107	8.95	Public Work Deptt. Finance Deptt. of Govt. of Kerala.	The Committee feel concerned to note that the Kattampally Project estimated to cost Rs. 31.49 lakhs in 1958 and scheduled to be completed by 1961, was now expected to be completed by the summer of 1966 at the revised estimated cost of Rs. 52.81 lakhs. On top of that, the estimated return on capital invested has also been reduced by about 50 per cent and the area to be benefited has been reduced by 25 per cent. These facts indicate that there has not only been defective planning of the project, but also there have

been defects in its execution. One of the reasons was stated to be the treacherous nature of soil. But it was admitted in evidence that investigation had not been made fully. It is not therefore surprising that estimates based on incomplete investigations proved so unrealistic. The Committee also deprecate the abnormal delay that has occurred in completing the project and hope that it would be completed by the revised target date indicated to them during evidence.

108 8.96 Do.

The Committee also recommend that in planning and estimating such important projects, detailed investigations should be made before hand to prepare more accurate estimates both regarding time and money required for the project.

109 8.105
 8.106
 8.107 Do.

The Committee are not convinced of the arguments advanced for placing orders with the highest tenders ignoring the lowest tender resulting in an extra expenditure of Rs. 1.32 lakhs.

It is surprising that the opinion of Govt. changed as regards placing of order with the lowest tenderer later when they ratified the action of the Chief Engineer who claimed to have placed the order with the highest tenderer in good faith. One of the reasons put forth in evidence was that the Chief Engineer in the course of his personal discussion gathered the impression that the Madras Workshop was not agreeable to do the work. The Committee find no evidence in support of this contention. On the contrary they find that the Chief Engineer had not given sufficient time and

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technical data to the Madras Workshop, who had originally agreed to do the work on no-profit no-loss basis.

The Committee are of the opinion that the action of the Chief Engineer in ignoring the lowest tender resulting in the extra expenditure cannot be fully justified.

110	8.108	Public works Deptt., Finance Deptt. of Govt. of Kerala.	The Committee would like to be informed of the efforts made to find alternative use for two surplus shutters.
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111	8.122 8.123 8.124	Home Affairs, Finance, Deptt., Plannig Commis- sion of Govt. of India.	The Committee feel concerned to note the magnitude of the task involved in the work of anti-sea erosion in the State of Kerala and comparatively slow progress made so far. The Committee find
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Public Works Deptt.,
Finance Deptt. of Govt.
of Kerala.

from the note that there is a loss of about 15 to 30 feet of land every year in some places owing to sea erosion. As an example it has been stated that roughly about 800 acres of land in Chellanam and Vypeen area, about 300 acres in Pallithode and Anthakazhi region and an equal extent in Quilandy and Tellicherry area have been consumed by erosion in the past 20 years or so.

On the request of the State Government that the Government of India might tackle the problem at the National level financing the entire expenditure themselves, owing to the magnitude of the problem, the huge expenditure involved and the State's inability to take it up, Govt. of India have informed them that the existing pattern of financing anti-sea erosion works was proposed

to be continued during the 3rd Plan and that a change in the pattern during the Fourth Plan will, however, be considered.

In the opinion of the Committee, if anti-sea erosion scheme is to succeed, the project will have to be taken up as a whole and not by tackling the problem piecemeal or on *ad hoc* basis i.e. where and when the sea chooses to strike. Considering the importance of the project in Kerala where pressure on land is so heavy and where there is constant fear of loss of life and property from sea erosion, the successful tackling of the problem is an imperative and urgent necessity. Moreover, if the entire project is taken up at the National level, there is every likelihood of economy in the Project in the long run. Therefore, the Committee would urge upon the Govt. of India to have the whole matter properly examined with a view to implementing it expeditiously.

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| 112 | 8.128 | Public Works Deptt.,
Finance Deptt. of
Govt. of Kerala. | In this case the Committee feel that the Government was involved in higher expenditure because of some collusion between the two tenderers. With proper vigilance on the part of the officer concerned a situation like this could have been avoided. |
| 113 | 8.129 | Do. | The Committee would like the Departments to make proper enquiries about the contractors before allotting work to them so that situations like the one which arose in this case whereby the lowest tenderer backed out and then worked for the higher tenderer may not recur. |
| 114 | 8.132 | Do | The Committee trust that such cases will be avoided in future. |
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115	8.136	Public Works Deptt., Finance Deptt. of Govt. of Kerala.	The Committee find no justification for the payment of a sum of Rs. 82,201 to the contractor which could have been easily avoided. It is unfortunate that before awarding the contract a more realistic view of the situation had not been taken and the fact that the same contractor had backed out from another work and then worked for the higher tenderer had not been taken into consideration. The Committee desire that an investigation into this case should be made and suitable action taken against the contractor.
116	8.145	Do.	The Committee are unable to discover any reasons in this note or in evidence as to why increased rates were given to the Society who themselves wanted to do the work at old rates. In view of the Society's earlier acceptance of the old rates, subsequent enhancement of the rates seems inexplicable. In the absence of any convincing reasons, the Committee are of the view that the increase in rates given to the Society after the work was entrusted to it was not justified.
117	8.148	Do.	While the Committee appreciate that the P.W.D. are authorised to take up only budgeted items of work, they feel that with forethought and proper planning, it should have been possible to make suitable provision for this work in the Supplementary Budget.
118	8.152	Do.	The Committee are unable to accept that paucity of funds was the reason for not entrusting the entire work to the contractor on the

basis of the lowest tender quoted by him. This is also borne out by the fact that as mentioned in the Audit Report construction of 1600 ft. of sea wall was completed over a period of three financial years. The Committee hope such cases involving extra expenditure to Government would be avoided.

119

8.160 Public Works Deptt.,
8.161 Finance Deptt.,
8.162 Law Deptt. of Govt.
of India.

Though the case relates to a contract involving construction work more than 20 years ago, what has caused grave concern to the Committee is the fact that no paper (even the agreement connected with the dispute) had been produced by Government, nor was any evidence produced before the Commission appointed by the Court to assess the amount of decree.

It appears from the notes furnished that there has been delay at various stages after the suit was filed in the Court in 1958. The final decree was issued on 13-7-1962. In between, the Commission was appointed on 26-10-1960. Therefore, Government cannot take the plea that owing to paucity of time, the records could not be produced. The Committee feel that there have been lapses both on the part of the Government pleader and the officials dealing with this case which resulted in the Government being placed in an embarrassing position.

The Committee would like to stress the importance of ensuring that all possible measures are taken in time to defend cases of Government. It is also imperative that all relevant records relating to contracts, especially where disputes arise, are carefully preserved and

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			maintained. The Committee desire the Finance Department to issue suitable instructions in the matter.
120	8.168	Public Works Deptt. of Govt. of Kerala.	The Committee trust that such cases of faulty designing, which are fraught with the risk of involving human lives would be scrupulously avoided by the Department.
121	8.173 8-174	Public Works Deptt., Finance Deptt. of Govt. of Kerala.	This is yet another case where work was undertaken on the basis of insufficient investigation resulting in an infructuous expenditure of Rs. 1.36 lakhs.
			The Committee are surprised to come across several cases of this nature which do not speak well about the working of the Department. They deprecate the tendency to take up engineering works without full and proper investigation of essential data and without carrying out necessary tests etc., especially in cases involving large amounts. They would desire this tendency to be curbed.
122	8.181	Do.	The Committee feel unhappy to note that even though the Department had concluded that the cracks occurred due to negligence of the contractor, no action was taken for about 7 years (between 1958 and October, 1965) to recover the amount spent by Government in rectifying the defects. The Committee desire that serious notice of such negligence and lapse on the part of officers concerned should be taken and responsibility should be fixed in this case.

123 8 184 Do. The Committee are perturbed to note that although the Superintending Engineer had expressed doubts about the works, the Executive Engineer thought it fit to go ahead with them. As no extenuating circumstances exist for justifying the action of the Executive Engineer, the responsibility rests squarely on the Executive Engineer. The Committee desire that suitable action should be taken against him.

124 8 187 Do. The Committee trust that in such cases efforts would be made to utilise the services of surplus staff elsewhere instead of keeping them completely idle.

125 8 194
 8 195 Do. The Committee are surprised to note that when the tenders were invited, it was not specified that the contractor would be given sand free of seigniorage charge. The contractor was quarrying sand from March, 1962 to December, 1963 whereas the notification was issued in 1964 under the Government Notification of 1958 exempting the contractor from the payment of seigniorage charges.

In evidence it was stated that when giving the estimates, the data worked out did not include the seigniorage charges according to the report of the Chief Engineer. The Committee desire that the statement of the Chief Engineer, Buildings and Roads, may be verified from the data sheets and a report submitted to them.

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126	8 201 8 202 8 203 8 204	Public Works Deptt. Finance Deptt. of Kerala. Govt.	<p>The Committee are unable to understand as to how the Government gathered the impression that the Bombay merchants would utilise the Quilon Port instead of Cochin Port. It is all the more surprising that at the conference held on the 27th June, 1958, no Bombay merchants were present for whose benefit the construction of godowns was stated to have been undertaken. Neither did they approach the Government for such a facility. It was also not clear to the Department whether the Bombay merchants would need the storage facilities or not. Further, no traffic survey also was conducted to find out as to how far the construction of godowns would benefit the merchants engaged in the cashewnut trade.</p> <p>The argument that the local business community did not make any representation or raise any objection in regard to the construction of godowns for the benefit of Bombay merchants is hardly relevant. Actually no Bombay merchant imported raw cashewnut through the Quilon Port with the result that the godowns constructed for their exclusive use remained unoccupied for long periods.</p> <p>The Committee are further surprised to note that even after the construction of godowns, the Government did not take any steps to notify the Bombay merchants that the storage facilities would be available at the Quilon Port.</p> <p>What is more unfortunate is the fact that while it was stated in evidence that the construction of godowns was just an <i>ad hoc</i> decision, in the note furnished to the Committee later, it has been stated</p>

that the construction of the two godowns at Quilon was taken up as a part of a long term plan for the development of the Quilon Port by providing adequate storage facilities at the port area and not to serve the interests of Bombay Merchants alone. The Committee regret that this fact was never mentioned either to Audit or to the Committee in the course of evidence. It is obvious that no realistic assessment of the requirement of storage facilities for the Bombay merchants at Quilon was made, as a result of which the two godowns remained unutilised for nearly two years or more resulting in loss of revenue to the tune of about Rs. 32,803.

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| 127 | 8 209 | Public Works Deptt.
of Govt. of Kerala
Kerala State Road
Transport Corpn. | While appreciating that the margin of profit had decreased due to the increased cost of operation, as a result of increased taxation, the Committee hope that with the increase in the passenger traffic, the profits of the State Transport Undertaking would show an increase. |
| 128 | 8 212 | Do. | The Committee hope that early steps would be taken to dispose of the unserviceable stores, still lying with the Department. The Committee are concerned to know that these surpluses have accumulated over a period of 28 years. |
| 129 | 8.215 | Do. | The Committee desire that immediate steps should be taken to reconcile the discrepancy of figures noticed between the Demand, Collection and Balance Statement and balance sheet and a report submitted to them. It should also be ensured that all necessary entries in the Demand, Collection and Balance Statement are made in time so as to avoid discrepancies. |

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130	8.220 8.221	Public works Deptt. of Govt. of Kerala <hr/> Kerala State Road Transport Corpn.	<p>The Committee feel that there has been inordinate delay in arriving at a satisfactory and a mutually acceptable solution in regard to the settlement of the claims. The difficulties were not of such insurmountable nature as to justify a delay of over 14 years. The Committee also feel that there was a further delay in actually rendering the invoices after the decision of the conference in April, 1964.</p> <p>The Committee would like to be informed of the progress of the settlement of claims through the subsequent Audit Reports.</p>
131	8.225 8.226	Do.	<p>The Committee suggest that vigorous steps be taken to clear the dues outstanding.</p> <p>The Committee find no reason why there are arrears under private hire when there are already rules requiring the collection of hire charges in advance whenever buses are hired out to private parties. The Committee desire that the rules in this regard should be strictly enforced.</p>
132	8.234 8.235 8.236 8.237	Do.	<p>In this case, due to failure to comply with the formalities in regard to the operation of the vehicles the tax refunds could not be obtained from the Transport Authority. The argument that the Corporation would not be able to furnish satisfactory evidence to R.T.O. is hardly convincing. It should have been possible for the Corporation to collect the details from the log book and furnish the same to the Transport Authority.</p>

The other disturbing factor is that the Corporation has not considered it necessary to call for the explanation of the persons concerned for the failure.

The Committee hope that suitable steps would be taken to remove the defect, if any, in the system. They also desire that necessary instructions be issued in this regard and suitable action taken against the persons who fail to comply with the instructions.

The Committee note that special staff had been appointed to collect all the necessary details for the year 1964-65 and for the current year and it would be possible for the Corporation to present a claim which would be capable of verification. They hope that claims for refunds will not be allowed to fall into arrears in future.

The Committee are perturbed to note that the loss under this wing is increasing year after year and the loss for the year 1964-65 is of the order of Rs. 2.5 lakhs.

The Committee suggest that it should be examined what economies, administrative or otherwise, should be effected in the service, so as to eliminate losses. The Committee also suggest that the feasibility of introducing concessional tickets for students may also be examined.

The Committee also desire the Department to examine whether the canal rules which were framed several years ago require any amendment particularly in regard to maintenance of the crew. If so, suitable steps should be taken immediately in that direction.

133

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8 245

Do.

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134	8 250 8 251	Finance Deptt. of Govt. of Kerala State Transport Corp.	<p>The Committee consider it highly improper for the Department to have fixed the pay on a different interpretation of the Government order, on presumptions, without seeking the clarification of the orders relating to fixation of pay from the authorities, who had issued the orders. They desire the Finance Department to issue necessary instructions in this regard to avoid recurrence of such instances.</p> <p>They hope that this case would not be treated as a precedent for regularising irregular fixation of pay in future.</p>
135	9 7 9.8	Stores Purchase Deptt. Finance Deptt. of Govt. of Kerala	<p>The Committee are unable to understand as to why the period of the contract was extended when there was no legal obligation on the part of the Government to do so, specially since the Department was aware of the fact that the market price had come down when the period of the contract was extended.</p> <p>The ceiling rate fixed by the Government for local purchase by institutions in Trivandrum during the period was only Rs. 3.25 per 'para' of charcoal. Further, certain institutions in the mofussil not covered by the rate contract had made local purchase of charcoal during the same period at varying rates not exceeding Rs. 3 per 'para'. It is therefore surprising that the contract was extended at Rs. 6.50 per 'para' involving an extra expenditure of about Rs. 43,460. If it was considered necessary to extend the contract on compassionate grounds, the contractor should have been asked to supply charcoal at the prevailing market rate which was much less.</p>

Do.

From the facts placed before them, the Committee have not found adequate justification for splitting up the tender and awarding a portion of the supply to a firm at a higher rate. The Committee are surprised at the manner in which this case has been dealt with. They note that the orders with the Madras firm had to be cancelled as it failed to commence supply within 15 days. In the meantime, the firm period of the local firm with which the part supply of 20,000 reams had been arranged also expired. Tenders were called for for the third time and orders were placed with a firm in Bombay for the supply of 20,000 reams at Rs. 2.45 per Kg. which resulted in an extra expenditure of about Rs. 1.46 lakhs compared with the lowest rate of Rs. 1.73 per Kg. offered by the local firm.

From the notes furnished at the instance of the Committee, it is seen that apart from the present case the Government have modified/overruled the recommendation of the Stores Purchase Committee in respect of several cases. The Committee are of the opinion that there is no point in constituting a committee specially for a particular purpose if its recommendations are modified or overruled in a large number of cases by the Government.

The Committee hope that with the setting up of the Departmental Purchase Committee, such instances would not recur.

283

Revenue Deptt. Finance
Deptt. of Govt. of Kerala

The Committee regret that from the very beginning the entire case in regard to the contract was not properly processed. The Committee consider it extremely unfortunate that Govt. should

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			<p>have entered into an agreement which was later found to be <i>ultra vires</i>. The Committee also feel that Govt. should have taken prompt steps to revise the agreement as soon as it was found that the original agreement was <i>ultra vires</i> instead of allowing the stalemate to continue indefinitely. They suggest that the question of revising the agreement should be considered and while doing so the question of suitably enhancing the licence fee should also be considered before the license is renewed so that the financial interests of Govt. are safeguarded.</p>
138	10.13	Revenue Deptt. Finance Deptt. of Govt. of Kerala	<p>The Committee are of the opinion that the variations between the budget estimates and the actuals in respect of receipts under the State Sales Tax are very much on the high side. They hope that efforts would be made to improve the budgeting technique and arrive at more accurate estimates of the receipts under various heads.</p>
139	10.16	Do.	<p>The Committee suggest that the Departmental Audit should be strengthened so that all such cases are detected by them. They also desire that necessary instructions be issued to all officers to be careful in their assessment work so as to avoid irregular grant of exemption.</p>

- 140 10 20 Do. The Committee are unhappy to note that the case detected towards the end of 1964 is still in the process of revision. They hope that the matter would be expedited. The Sales Tax officers should also be instructed to be careful in such matters.
- 141 10 23 Do. The Committee hope that such instances would not recur.
- 142 10 26 Do. The Committee suggest that serious notice should be taken of such cases of ignorance about the provisions of the Law as result in irregular grant of concessions.
- 143 10 29 Do. From the note, it is seen that action has been taken in respect of several cases to revise the assessment. They hope that assessments would be made properly and would as far as possible avoid the necessity of revision of assessments subsequently.
- 144 10 30 Do. In this connection the Committee suggest that apart from giving to the officers a refresher course, efforts should also be made to see that the assessing officers keep abreast of the latest orders and instructions, so that incorrect assessments are reduced to the minimum, if not altogether eliminated.
- 145 10 33 Do. The Committee would like to be apprised of the final outcome of the case.
- 146 10 37 Do. The Committee are perturbed to note that arrears of Sales Tax and the Agricultural income tax as on 30-9-1965 are Rs. 331.00, lakhs and Rs. 57 lakhs respectively. They suggest that vigorous steps
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			including the setting up of a special machinery, if necessary, should be taken to liquidate old arrears and avoid accumulation of current demands.
147	11.12	<u>Finance (Govt. of India)</u> Finance Deptt. of Govt. of Kerala	<p>The Committee feel that when more than 50% share capital of a Company is held by the Government directly or indirectly then, it must come within the definition of the Government companies and must be subjected to some financial control and discipline which is attracted by Government companies. Keeping this in view the Committee desire that the question as to how exactly the state of the companies could be restored as Government companies may be examined. They would, therefore, suggest that the feasibility of investing some more funds directly by Government or if necessary by purchasing some shares from the Kerala State Industrial Development Corporation may be examined so as to restore the status of the companies as Government companies. In the meanwhile the Committee also desire that an order should be issued to the effect that the balance sheets, accounts and reports should be placed on the table of the House.</p>
148	11.13	<u>Finance</u> Deptt. of Company Law Govt. of India <u>Finance Deptt. Govt. of Kerala</u>	<p>In the opinion of the Committee the peculiar position in respect of the two companies which could not be called Government owned companies and hence were not accountable to Legislature needs to be examined as it appears that such a situation had not been envisaged in the Companies Act, 1956. They would suggest that the Depart-</p>

ment of Company Law of the Government of India should examine this aspect of the matter.

149

11.28 Finance (Govt. of India)
Finance Deptt. Govt. of
Kerala

The Committee feel that such large savings only indicate that provisions in the budget are made without proper planning and adequate preparation. They deprecate such tendency on the part of the Departments as this results in unnecessarily inflating the budget and thereby locking up funds which could be better utilised for other schemes and projects. Since large savings are indicative of loose budgeting, the Committee would suggest that the administrative Departments should make efforts to frame their estimates more realistically and with a greater degree of precision to avoid a supplementary grant which cannot be utilised. In the circumstances, the Committee are of the opinion that there is scope for improvement in the budgeting and control over expenditure.

150

11.31 Finance (Govt. of India)
Finance Deptt.,
Education
Deptt. of Govt. of Kerala

The Committee regret to note that owing to the so called revision of the policy, there was a saving of 100% and the entire provision had remained unutilised. They cannot help observing that this is a case which lacked proper planning and forethought. The Committee also find it difficult to appreciate how the total work load came down by changing the ratio of students and teachers from 1:40 to 1:45.

151

11.35 Finance (Govt. of India)
Finance Deptt. Revenue
Deptt. of Govt. of Kerala

The Committee do not understand as to why there is so much delay in implementing the schemes. The Committee also deprecate that the grant was obtained much before the rules were framed.

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152	11.37	<u>Finance (Govt. of India)</u> Finance Deptt., Govt. of Kerala	<p>They desire that the Finance Department should issue suitable instructions to avoid recurrence of such cases.</p> <p>The Committee desire that the practice of obtaining only token grants, where there is likelihood of delay in the implementation of a scheme, should be resorted to wherever feasible.</p>
153	11.43	<u>Finance (Govt. of India)</u> Finance Deptt./ Education Deptt./ Industries Deptt. Public Works Deptt. of Govt. of Kerala.	<p>The Committee desire that comprehensive orders should be issued for the strict observance of the principle that no expenditure on a "New Service" should be incurred without obtaining a vote of the Legislature.</p>
154	11.53	Finance, Deptt. of Govt. Kerala.	<p>The Committee feel that in this case not only there was a breach of warranty but also a claim was paid in respect of the risk which was not insured at all. The subsequent acceptance of the extra premium of Rs. 628 perhaps imposed some obligation to pay this claim. But neither in law nor in practice any Insurance Co. is bound to pay claim for the risk which was not covered. The Committee feel that the Government had been over generous at the cost of the tax payer in this case. The desire to keep good business relation should be conditioned by the over-riding interest of the tax payer. The Committee hope that such cases would be avoided in future.</p>

Public Works Deptt.
Finance, Deptt. of
Govt. of Kerala

During the course of examination, the Committee have come across the following types of cases in the matter of designing and execution of works in the State:—

- (i) defective preparation of estimates and consequent acceptance of a tender other than the lowest (Para 8.5)
- (ii) defective execution of works (Paras 8.95, 8.181, 8.184)
- (iii) incorrect fixation of quantities of works to be executed (Para 8.14)
- (iv) additional payments to the contractor which could have been easily avoided (Para 8.136)
- (v) unjustifiable increases in rate (Para 8.145) and
- (vi) cases of faulty estimate/design (Para 8.23 and 8.168).

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These point to the necessity of an administrative technical check on the execution of works by the State P.W.D. In this connection the Committee recall that in the Centre there is an organisation under a Chief Technical Examiner who is responsible for effecting an independent and uninterrupted technical audit of the works executed by P.W.D. The Committee recommend that Government should consider the setting up of a similar organisation in the State.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR]	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.—1.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych. LONDON, W.C.—2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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