

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2014-2016)**

**FIFTY NINTH REPORT**

(Presented on 9th July, 2014)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2014

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**on**

**Paragraphs relating to Finance Department contained in the  
Reports of Comptroller and Auditor General of India for  
the years ended 31 March, 2008 & 2011 (Civil)**

1049/2014.

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## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the 59th Report on paragraphs relating to Finance Department contained in the Reports of Comptroller and Auditor General of India for the years ended 31 March, 2008 & 2011 (Civil).

The Reports of the Comptroller and Auditor General of India for the years ended 31 March, 2008, 2011 (Civil) were laid on the Table of the House on 23rd June, 2009 and 22nd March, 2012 respectively.

The Committee considered and finalised this Report at the meeting held on 30th June, 2014.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,  
9th July, 2014.

DR. T. M. THOMAS ISAAC,  
*Chairman,*  
*Committee on Public Accounts.*

## REPORT

### FINANCE DEPARTMENT

#### KERALA INFRASTRUCTURE INVESTMENT FUND BOARD

##### AUDIT PARAGRAPH

##### **Avoidable loss due to borrowing without requirement**

*Kerala Infrastructure Investment Fund Board could not provide advice for infrastructure projects since its inception. This resulted in procuring huge funds at higher interest rates and depositing them in savings bank account at lower interest rates at a loss of ₹ 72.03 crore to state exchequer.*

The Kerala Infrastructure Investment Fund Board (KIIFB) was constituted (November 1999) by the State Government to provide direct financial assistance to public sector undertakings and others for infrastructure projects. Mention was made in Paragraph 1.9.5 (ii) (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2001 and Paragraph 1.9.3(a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2003, Government of Kerala (Civil) about the off-budget borrowing made by State Government through the Board by floating KIIFB Bonds Series I (₹ 507.06 crore), Series II (₹ 10.74 crore) and Series III (₹ 505.91 crore) at interest rates of 13.25, 10.50 and 11 per cent respectively during December 1999-May 2003. The repayment of principal and interest on the bonds was guaranteed by the State Government at a commission of 0.75 per cent per annum. A further audit of the accounts of the Board revealed the following:

In addition to the initial contribution of ₹ 75 lakh, Government released a grant of ₹ 136.10 crore to the Board during 2000-2004. Under the Kerala Infrastructure Investment Fund Act, 1999, Government formulated the Kerala Infrastructure Investment Scheme, 1999 under which long-term loans for infrastructure projects were to be sanctioned based on detailed project report and after executing loan agreement and implementation/performance contract by the loanee entity. The Board, however, did not receive any application for loan funds for creation of infrastructure. As there was no immediate requirement of funds for loan disbursement, the Board deposited the entire funds mobilised at high cost in the treasury special savings bank account at interest rate ranging from 6 to 13.75 per cent per annum earning an aggregate interest income of

₹ 567.88 crore up to March 2007. Bonds issued under Series I and II were subsequently (December 2004/April 2005) redeemed by availing bank loan at 6.7 per cent and exercising the call option. As against interest income of ₹ 567.88 crore, the Board had incurred a total bond related expenditure of ₹ 639.34 crore towards interest on borrowings, guarantee commission, professional charge, credit rating fee, etc., besides ₹ 0.57 crore towards administrative and other expenses, resulting in avoidable loss of ₹ 72.03 crore.

Thus, the hasty action on the part of the Board in floating bonds anticipating requirement of loan assistance for infrastructure project ever since inception (1999) without proper assessment of requirement of funds resulted in avoidable loss of ₹ 72.03 crore.

The Board stated (July 2007) that though it did not directly fund infrastructure projects, the funds mobilised and deposited in treasury were utilised by the State Government for various indirect infrastructure projects thereby meeting the objectives of the Board. The reply is not tenable since the action of the Board in raising substantial funds without a proper assessment of requirement and parking the said funds in the treasury facilitated indirect borrowing by the Government through the Board by issuing bonds. Further, normal functions of Government cannot be considered as a substitute for the activities vested with an independent body formed under the Act with definite objectives.

Government stated (August 2008) that the fund was constituted with the good intention of accelerating the pace of industrial growth and development in the State but the Board could not achieve its objectives due to many reasons including the size of the fund, unfavourable investment climate in the State, non-availability of viable projects for investment, etc. The reply of Government is not tenable as the Board could not achieve its objective of providing financial assistance for infrastructure project despite mobilisation of huge funds at higher interest rates for the purpose.

Audit Paragraph 4.5.3 contained in the Report of the C&AG of India (Civil) for the financial year ended 31 March, 2008.

[Notes received from Government on the above Audit Paragraph is included as Appendix II.]

Regarding the audit paragraph, the Committee enquired whether the Kerala Infrastructure Investment Fund Board was wound up. The witness, Officer on Special Duty, Finance (Resources) Department deposed that the board had not been officially wound up. Though decision of the Appellate Authority was in

favour of the Board, in a case with Income Tax Department, the Income Tax Department filed an appeal at the Supreme Court and it is pending. The Committee accepted the comments.

### **Conclusion/Recommendation**

**No comments.**

AUDIT PARAGRAPH

#### **Diversion of funds**

*The Treasury Department diverted ₹ 54.43 lakh earmarked for Treasury Computerisation Programme for purchase of vans for the use of District Treasuries. The said expenditure was on a 'New Service' and required the sanction of the Legislature.*

According to notes under Appendix III of the Kerala Budget Manual, purchase and maintenance of staff cars and other vehicles for office use should be classified under 'Office Expenses'. In November 2007 the Director of Treasuries sent a proposal to Government for the purchase of Vans for conducting routine inspection of subtreasuries, collection of imprest money for pension payment, etc. The Finance Department rejected (December 2007) the proposal on the ground that the financial position of the State was not conducive to the provision of vehicles for District Treasuries and further there was no budget provision in the current financial year for the purpose.

There was a plan provision of ₹ 3.30 crore during 2007-08 under the head of account '2054-00-095-99 (19) Machinery and Equipment' for Treasury Computerisation Programme towards payment of outsourcing charges, purchase of computers, Generator sets, computer and accessories for the newly opened Subtreasury at Pulamanthol, etc. As the department could not finalise the purchase of Generator sets, computers and accessories till the end of the financial year, the Department anticipated savings under the above programme. Considering this, the Director of Treasuries sent the proposal for the purchase of vans on 14th March, 2008, mentioning the difficulties experienced by the District Treasury Officers and Co-ordinators for rectifying the technical defects of computers installed in Subtreasuries. The Director also proposed that sufficient funds were available under 'machinery and equipment' and it was correct to classify the expenditure under this head. Based on this, Government accorded (27th March, 2008) administrative sanction for the purchase of 24 Maruti Omni Vans (LPG) at an approximate cost of ₹ 58 lakh for the use of the District Treasuries in the State. The Director purchased the 24 Maruti Omni Vans at a cost of ₹ 54.43 lakh debiting the expenditure to the above head of account.



It was noticed during audit examination that the provision for purchase of vans was not included in the budget, hence the expenditure would be classified as 'New Service'. As per the provisions of Kerala Budget Manual the expenditure can be incurred only after obtaining necessary funds through Supplementary Demands for Grants. Further, expenditure on purchase of car is a non-plan item, utilisation of Plan funds for non-plan purposes is irregular amounting to diversion of Plan funds for non-plan activities of the department.

It was further observed from documents that the Department had entered into an agreement with a private firm for implementation of 'Facility Management System for the maintenance of Treasury Information System' with effect from March 2006 at a cost of ₹ 1.44 crore. Hence there was no urgent need for the District Treasury Officers and Co-ordinators for conducting frequent and urgent visit of subtreasuries for rectification of defects of the computer system.

Thus the Department diverted ₹ 54.43 lakh earmarked for Treasury Computerisation Programme for purchase of Vans for the routine use of District Treasuries. Besides the expenditure was on a 'New Service' not contemplated in the budget and hence required sanction of the Legislature before incurring any expenditure.

Government stated (July 2008) that the contention that Plan funds were diverted was not true as there was no component-wise earmarking of fund meant for computerisation. Government added that purchase of Vehicles was an integral part of the ongoing treasury computerisation programme and hence expenditure thereon was not treated as 'New Service'. The reply is not tenable because the provision during 2007-08 for computerisation did not contemplate purchase of vans and therefore purchase of van from plan funds was an after thought and hence constituted 'New Service' resulting in diversion of funds.

Audit Paragraph 4.5.4 contained in the Report of the C&AG of India (Civil) for the financial year ended 31 March 2008.

[Notes received from Government on the above Audit Paragraph is included as Appendix II.]

2. Regarding the audit paragraph the witness, Officer on Special Duty, Finance (Resources) Department informed that Treasury Department had bought 24 Omni vans spending ₹ 58 lakh with the permission of the Government as it was inevitable with the introduction of core banking. The Committee enquired whether expending money without budget provision is right. The witness replied

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that those vans were bought as part of the Treasury computerisation programme and hence no diversion of funds. The co-ordinators of the project had to visit every district treasury to extend necessary training and other support to the officials there. It was done under the sanction accorded by the Government. Then the Committee suggested that while implementing major projects like this, component-wise break-up of expenditure should be shown in the budget itself. The Committee decided to recommend that Finance Department should be cautious in not committing such procedural irregularities in future.

#### **Conclusion/Recommendation**

**3. Regarding diversion of ₹ 54.43 lakh from the fund earmarked for the treasury computerisation the Committee remarks that fund provided for major works expended at the will of the implementing officers may lead to financial anarchy. It recommends that while implementing major projects like Treasury computerisation, component-wise break up of expenditure should be shown in the budget itself. The Committee also recommends that Finance Department is bound to maintain appropriation control and should be cautious in complying all the procedures before incurring expenditure.**

AUDIT PARAGRAPH

#### **SPECIAL DEVELOPMENT FUND FOR MEMBERS OF LEGISLATIVE ASSEMBLY**

##### **Introduction**

The 'Special Development Fund for Members of Legislative Assembly' (MLA SDF) was notified in October 2001 to enable Members of the Legislative Assembly (MLA) to create durable assets for public use at large. The implementation of the scheme in the State was governed by guidelines initially issued in October 2001 and revised from time to time, the last time being May 2004. The guidelines of the scheme prescribe the works that can be taken up and the works that are not permissible under the scheme. The annual allotment under the scheme to each MLA was ₹ 75 lakh per annum. The scheme is fully funded by the State Government and the funds released under the scheme are non-lapsable.

The audit of the implementation of the scheme during 2006-07 to 2010-11 in 16\* (out of 48) Legislative Assembly Constituencies (LACs) of four districts (out of 14) was conducted by Audit during May-June 2011. The records relating

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\* Malappuram District: Ponnani, Mankada, Kondotty, Kuttipuram; Kottayam District: Kottayam, Vazhoor, Changanassery, Kaduthuruthi; Kollam District: Kollam, Chathannur, Kottarakkara, Karunagappally; Thiruvananthapuram District: Thiruvananthapuram North, Kazhakkuttom, Kilimanoor and Nedumangad.

to four District Collectorates and 20 implementing offices\* were also test-checked. Audit also conducted physical verification of 30 works in 16 LACs. Funds released by the Government to these four districts during 2006-07 to 2010-11 were ₹ 182.54 crore and the total funds available including the opening balance were ₹ 232.18 crore. The expenditure incurred during the above period was ₹ 164.67 crore. The year-wise percentage of utilisation of available funds was as indicated in Table 2.29:

Table 2.29: DETAILS OF UTILISATION OF FUNDS

Year	Opening balance	Funds Received	Total funds available	Funds expended	Closing balance	(₹ in crore)
						Percentage of utilization of available funds
2006-07	49.64	36.03	85.67	24.57	61.10	29
2007-08	61.10	36.67	97.77	27.12	70.65	28
2008-09	70.65	36.80	107.45	31.68	75.77	29
2009-10	75.77	36.03	111.80	42.00	69.80	38
2010-11	69.80	37.01	106.81	39.30	67.51	37
Total		182.54		164.67		

*Source:* Details taken from extracts of Treasury Savings Bank deposit accounts of four District Collectorates, Thiruvananthapuram, Kollam, Kottayam and Malappuram.

### Implementation of the Scheme

As per the guidelines, each MLA was to give a choice of works to the District Collector (DC) concerned who was to get them implemented by following the established procedure. In regard to works in urban areas, they could be implemented through Commissioners/Chief Executive Officers of Corporations, Municipalities, etc., or through the heads of districts as per the option of the MLAs. The deficiencies noticed by Audit in the implementation of the scheme are described below:

### Poor utilisation of funds

The funds released were kept in non-lapsing treasury savings deposit accounts of DCs. As at the close of the year 2010-11, the balances remaining

\* 16 Block Development Offices of four selected districts, Executive Engineer of Local Self Government Department, Pattom, Thiruvananthapuram, Chest Diseases Hospital, Pulayanarkotta, Thiruvananthapuram, District Jail, Kollam and District Hospital, Kollam.

unspent in four districts totalled ₹ 67.51 crore. The expenditure during each year did not keep pace with the accretion of funds as was evident from the fact that the utilization of funds during 2006-07 to 2010-11 was in the range of 28-38 per cent. Cancellation of 58 works by MLAs and delays in execution of works by the implementing agencies were the main reasons for the poor utilization of funds. The DCs attributed cancellation of works to non-feasibility of works, reluctance of beneficiary committees to take up work, same works taken up by other agencies as part of other schemes etc.

Out of ₹ 164.67 crore spent during 2006-2011, Audit observed that ₹ 22.97 crore incurred on 1007 works was objectionable because 972 works involving ₹ 21.61 crore were not permissible under MLA SDF guidelines and 35 works involving ₹ 1.36 crore were executed by societies/trusts without entering into any agreement with Government as envisaged in the guidelines, which stated that funds should be released to societies/trusts only after executing agreement with the Government.

#### **Delays in issuing administrative sanctions**

As already stated, the guidelines required each MLA to give his choice of works to the concerned DC. The DC, after getting estimates from the implementing agencies/executing departments, was to issue administrative sanctions within 45 days (within 30 days from November 2009) from the dates of receipt of the proposals from MLAs. In the four test-checked districts, sanctions for 699 works (21 per cent), out of 3381 works, were accorded by DCs after delays of more than six months after receipt of the proposals from the MLAs, the details of which are given in Appendix III. The DC, Kollam cited (August 2011) the delays in preparation and submission of estimates and receipt of proposals from MLAs which were either not feasible or beyond their fund limit, as reasons for the delays. However, it was assured that action was being taken to ensure timely issue of administrative sanctions. The DC, Thiruvananthapuram stated (September 2011) that the delays in receipt of approved estimates and incomplete documents were the main reasons for the delays in according administrative sanctions. The Assistant Development Commissioner (General) Kottayam stated (September 2011) that the delays in issuing administrative sanctions were due to the delays in getting clarification reports, required documents not being furnished by the beneficiary organisations and delays in getting plans and adequate estimate reports for the works. The DC, Malappuram stated (June 2011) that the delays were due to delayed receipt of estimates from the implementing officials.

### Lack of proper planning/feasibility study before sanctioning works

The Government issued (November 2009) instructions that the DCs should ensure availability of land, realistic estimates and necessary infrastructure before according sanctions for works under MLA SDF. A scrutiny of sanctions of works revealed that administrative sanctions for works were issued without any planning and feasibility study and without ensuring the formation of beneficiary committees or competence of the beneficiary committees already formed, for taking up the works. This resulted in cancellation/non-completion of the works in Thiruvananthapuram, Kollam and Kottayam (no cancellation was noticed in Malappuram) districts as shown below:

- Out of the 3381 works sanctioned in 16 LACs, during 2006-2011, 58 works were cancelled in Thiruvananthapuram (10), Kollam (32) and Kottayam (16) districts, details of which are enumerated in Table 2.30.

TABLE 2.30: DISTRICT-WISE DETAILS OF WORKS CANCELLED

<i>Sl. No.</i>	<i>Name of District</i>	<i>Type of work</i>	<i>Number of works</i>	<i>Reasons</i>
(1)	(2)	(3)	(4)	(5)
1	Thiruvananthapuram	(a) Repairs and maintenance of roads	7	Two works were not feasible and three were to be executed by Grama Panchayats concerned. No reasons were on record for the remaining five works.
		(b) Construction of school building	2	
		(c) Construction of drain	1	
		Total	10	
2	Kollam	(a) Repairs to roads	9	The DC, Kollam cited (September 2011) the following reasons for cancellation of works:  (i) even though certain works were tendered, no one was willing to take up the works
		(b) Construction of buildings for libraries, schools, hospitals, etc.	11	
		(c) Others (purchase of computers for schools etc.)	12	
		Total	32	

(1)	(2)	(3)	(4)	(5)
				(ii) in the case of certain works, beneficiary committees were not ready to execute the works despite several notices issued
				(iii) certain works were seen executed by other agencies using funds other than MLA fund, even after the issue of administrative sanctions for the same works.
3	Kottayam	(a) Repairs to roads	14	The Assistant Development Commissioner, Kottayam stated that due to delay in execution of works and other technical reasons, MLA had instructed that these works should be cancelled and the amount should be sanctioned for some other works. Accordingly, the works were cancelled and the amount had been sanctioned for other works.
		(b) Construction of buildings to Kairali Grandhalayam	1	
		(c) Electrification Works	1	
		Total	<u>16</u>	
<b>Grand Total</b>			<b>58</b>	

Though no expenditure was incurred on these works, considerable time and resource had to be wasted for these works. Preparation of a database of schemes as suggested by the MLAs followed by assessment of their feasibility would have addressed this problem.

- The MLA of Ponnani LAC proposed (November 2008) the work of construction of a building for the Government Industrial Training Institute, Marancherry of Malappuram District (estimated cost: ₹ 25 lakh). The administrative sanction was accorded in March 2010. The work was not started as the beneficiary association was unwilling to take up the work at the earlier Schedule of Rates (SOR). The MLA proposed additional funds of ₹ five lakh (July 2010) and two revised administrative sanctions were issued (January 2011) for ₹ 25 lakh and ₹ five lakh based on the prevailing SOR. The DC, Malappuram stated that the work was nearing completion (October 2011).
- In Mankada LAC of Malappuram District, three works costing ₹ 1.20 lakh and in Kaduthuruthy LAC of Kottayam District, the work of construction of a side drain at Sreekrishna Swami Kshethram road in ward No.18 of Kaduthuruthy Panchayat costing ₹ 50,000 had not been taken up so far, even though the administrative sanction and technical sanction for the same were accorded during 2008-09. This was due to non co-operation on the part of beneficiary associations which were reluctant to take up the works. The DC Malappuram stated (September 2011) that action would be taken to cancel the works. In reply to an audit enquiry, the DC Kottayam stated (September 2011) that the MLA had recommended cancellation of the work.

#### **Sanction for prohibited works**

The guidelines prohibited execution of certain works such as construction of office, residential and other buildings relating to Central or State Governments, departments, agencies or organizations; works belonging to private institutions; repairs and maintenance of any type, etc., as detailed in Appendix III. Further, the Government clarified (August 2005) that works for surface renewal/retarring of roads were not permissible under MLA SDF. However, it was

noticed that in four selected districts, expenditure of ₹ 21.61 crore was incurred during 2007-11 on 972 works proposed by MLAs which were prohibited as per the scheme guidelines as detailed in the Table 2.31 below:

TABLE 2.31: DETAILS OF PROHIBITED WORKS

<i>Type of prohibited works undertaken by DCs on the recommendation of MLAs</i>	<i>Details of the execution of prohibited works</i>		
	<i>Number of LACs involved</i>	<i>Number of works</i>	<i>Cost of works as of March 2011 (₹ in lakh)</i>
Construction works belonging to co-operative societies	3	5	11.64
Construction works for commercial organizations like State Transport Corporation and renovation of public market	6	7	147.31
Construction works for a police station for distribution of drinking water to the police station	1	1	0.80
Construction works for proposed firestation	1	1	3.00
Repairs and maintenance of road	16	958	1997.83
Total	27	972	2160.58*

This indicates the lack of a proper feedback mechanism regarding eligibility when works are suggested by MLAs. The DCs (Thiruvananthapuram, Kottayam and Malappuram) stated (August 2011) that these works were sanctioned as they were beneficial to the general public. The reply is not acceptable because instead of sanctioning such prohibited works, the DCs should have advised the MLAs about the violation of guidelines and sought alternative proposals which could also be in public interest. The Assistant Development Commissioner (General) Kollam stated (August 2011) that prohibited works would not be sanctioned in future.

#### **Sanction of works in Violation of Guidelines**

A scrutiny of Government Orders issued during 2008-09 to 2010-11 under the scheme revealed that sanctions for 29 prohibited works worth ₹ 3.92 crore

\* Kollam: ₹ 601.96 lakh, Kottayam: ₹ 613.17 lakh, Malappuram: ₹ 589.08 lakh and Thiruvananthapuram: ₹ 356.37 lakh.



were issued in violation of guidelines vide Appendix III. Information received from six DCs indicates that a sum of ₹ 1.50 crore was incurred by them on 16 works sanctioned in violation of the guidelines. The sanctions were accorded by treating them as relaxation of guidelines.

The large number of relaxations accorded indicated lack of sanctity for the guidelines with regard to eligible works.

#### **Execution of works for Society/Trust**

The guidelines, *inter alia*, provide that the beneficiary organisation must enter into a formal agreement with the Government in advance to comply with the conditions laid down before funds are released. The beneficiary organisation is required to submit to the Government, an annual report and its audited accounts on a regular basis.

In four selected districts, 35 buildings for library, youth club, etc., were constructed at a cost of ₹ 1.36 crore by various societies/organization during 2006-11. In addition, 31 buildings for library, milk societies, cultural association, etc., were also under construction at a cost of ₹ 1.18 crore during the same period. But no prior agreements were seen entered into with these organizations/societies by the implementing agencies/DCs nor the annual accounts of these institutions forwarded to the Government as contemplated in the guidelines. There is no assurance that the guidelines laid down had been followed.

#### **Delay in execution of works**

As already mentioned in para 2.3.3, a time limit of 45 days (reduced to 30 days from November 2009) was prescribed for issue of administrative sanctions from the date of proposal of the works received from the MLAs. In November 2009, the Government prescribed the following time limits for completion of projects taken up under MLA SDF scheme from the date of issue of administrative sanction:

- (i) Six months for works with outlay up to ₹ 25 lakh
- (ii) Nine months for works with outlay up to ₹ 50 lakh
- (iii) Twelve months for works with outlay up to ₹ 75 lakh

However, it was seen in audit that in certain cases, no clause specifying the period of completion was incorporated in the agreements entered into with the

beneficiary committees. Delays were noticed in arranging works and in commencing work after execution of agreements in the following cases:

- ❑ Due to delays in preparation of estimates and delays in convening meetings of the beneficiary committee, there were undue delays in the various stages of work of construction of a building for Desasevani Vayanasala, Palluthottam in Nagaroor Grama Panchayat of Kilimanoor LAC of Thiruvananthapuram district. The proposal from the MLA was received by the DC on 17th November, 2006. The DC issued an administrative sanction for ₹ 3.12 lakh on 22nd January, 2007 (after 66 days). The technical sanction was issued only on 26th March, 2007 (after 62 days of the issue of the administrative sanction). The agreement with the convenor of the beneficiary committee was executed on 18th May, 2007, after 53 days of issue of the technical sanction. However, the agreement did not contain any clause specifying the period of completion. Even though the administrative sanction had been issued in January 2007, the work was started only in December 2009 and completed only in November 2010. In reply to an audit enquiry, the DC Thiruvananthapuram stated (September 2011) that the delays were attributable to delayed receipt of original estimates and the estimate report from the BDO, Kilimanoor.
- ❑ The work of construction of a bathing ghat for Appanchira Thodu in Kaduthuruthy Grama Panchayat of Kottayam district (estimated cost: ₹ 2.5 lakh) had not been started even though the sanction for the same were accorded in October 2009 and agreement executed in January 2010 because the convenor of the beneficiary committee was not willing to do the work for reasons not on record. This indicates non-assessment of the competence of the beneficiary committee to execute the work. The Assistant Development Commissioner (General) Kottayam stated that the MLA had directed to cancel the work.
- ❑ Administrative sanction was accorded in January 2009 for ₹ 3.50 lakh for the work of construction of a building for Kairali Grandhalayam, Chirakkadavu in Vazhoor LAC of Kottayam district. It was subsequently revised to ₹ 6.32 lakh in December 2009. The work was not completed as of June 2011. No reasons were attributed for the delay. The agreement executed with the beneficiary association in May 2010, did not contain any clause prescribing time limit for completion of the work.
- ❑ The work of construction of an Outpatient-cum-Casualty Block in the Government Hospital in Nedumangad LAC of Thiruvananthapuram

District was sanctioned for ₹ 25 lakh in January 2006 and was entrusted to the convenor of the beneficiary committee in March 2006. The work was started in September 2006. After finishing a small portion (earth work excavation and columns up to plinth level) for ₹ 2.65 lakh, the work was abandoned for which no reasons were on record. The balance work was entrusted to a new convenor of the beneficiary committee in May 2010 at the revised estimate of ₹ 37 lakh, sanctioned in November 2009. The work had not been completed (June 2011). The agreement executed with the second convenor in May 2010, also did not contain a clause prescribing a time limit for completion of the work. This indicates inadequate contract clauses and inappropriate selection of beneficiary committees for execution of works.

- ❑ The work of beautification of Pipeline Road-Harithaveedhi in Thiruvananthapuram North LAC for ₹ 30 lakh was entrusted (July 2010) to the Habitat Technology Group Thiruvananthapuram, a Non Government Organisation (NGO), as the State Government approved it as an implementing agency under the scheme in December 2009. The NGO had agreed to complete the work within six months from the date of taking charge of the site. Based on Government Orders, 20 per cent of the cost of the work (₹ six lakh) was given as advance to the NGO. An amount of ₹ 23.41 lakh was paid as part payment (March 2011). However, the work remained incomplete as of October 2011.

#### **Non-utilisation of equipments purchased under the scheme**

In the Chest Diseases Hospital, Pulayanarkotta, equipment such as Central Oxygen Manifold System, vacuum pump, pipes, outlet points and other accessories for installation of Central Oxygen Medical Gases were procured in October 2009 and in January 2010 at a cost of ₹ 5.75 lakh using MLA funds of Thiruvananthapuram (North) LAC for the year 2007-08. The oxygen plant was intended for utilisation in ward numbers 4 to 7 of the hospital. Renovation work of these wards was taken up during 2008 using NRHM funds but it could not be completed as of June 2011 due to shortage of funds. In the meantime, the oxygen plant was erected (April 2011) in a secluded area of the hospital and was not being used as envisaged due to non-completion of the renovation work. The Superintendent, Chest Diseases Hospital, Pulayanarkotta stated (June 2011) that action was being taken to handover the work to PWD.

**Monitoring**

According to the scheme guidelines, the Finance (NC) Department is the nodal department for the implementation of schemes under MLA SDF in the State. The Chief Secretary or in his absence, a senior Principal Secretary/ Additional Chief Secretary was to conduct a meeting with the heads of districts and MLAs to assess the progress of works under the scheme at least once in a year. Details of meetings conducted was sought (June 2011) for from the Finance (NC) Department, but these were not given to Audit. Non-furnishing of the required details by the department indicates that there was deficiency in monitoring as envisaged in the guidelines.

Para 5.7 of the scheme guidelines provided for the State Government to make arrangements for training district officials associated with the implementation of the scheme. Audit noticed that no arrangements were made for training during the period 2006-07 to 2010-11, the reasons for which were not on record.

As per para 5.1 of the guidelines, the DCs were to visit and inspect at least 10 per cent of the works every year and to furnish monitoring reports once in two months to the MLAs. In November 2009, the Government issued instructions that all DCs should furnish a quarterly report to each MLA on the progress of works taken up on his recommendations. The DCs of the selected districts were requested to furnish the details of inspections conducted. The DC Thiruvananthapuram replied (July 2011) that monitoring as envisaged in the guidelines was not being done. Further, the DCs of Kollam, Malappuram and Thiruvananthapuram stated (July 2011) that the audit observation had been noted for future compliance.

**Conclusion**

There were delays of more than six months in according administrative sanctions by the District Collectors after receipt of proposals from the MLAs concerned in 21 per cent of the cases. There were also delays in execution of works indicating inadequate assessment of the competency of beneficiary committees to execute the works under the scheme. Audit noticed execution of works prohibited under the guidelines. A large number of relaxations accorded for taking up works prohibited under the guidelines was indicative of lack of sanctity for the guidelines. Works were seen entrusted to societies/trusts with no formal agreements with them. Monitoring at the district level was not done as envisaged in the guidelines.

**Recommendation**

- Timely issue of administrative sanctions by the DCs for execution of works may be ensured.
- DCs may assess the competency of beneficiary committees before awarding the works to avoid delay in execution of works.
- DCs may avoid sanctioning of works which are not envisaged in the guidelines.

The above observations were referred to the Government in July 2011. Their reply had not been received (October 2011).

Audit Paragraphs 2.3.1 to 2.3.12 contained in the Report of the C&AG of India (Civil) for the financial year ended 31 March, 2011.

[Notes received from Government on the above Audit Paragraphs is included as Appendix II.]

4. When the Committee enquired about the total outstanding amount of SDF up to the year 2012-13, the witness, Officer on Special Duty, Finance (Resources) Department informed that up to August 31, 2013 an amount of ₹ 182 crore was outstanding. During the previous financial year the amount was credited as per the utilisation and during the current year only 25% of the total allocation was credited to SDF.

5. The Committee suggested that while calculating the unspent amount, the works for which administrative sanction was issued should also be taken into account and added that even when works were completed, funds were not released in due course due to the delay in getting clearance from the Collectorate because of the lack of sufficient staff. The Committee suggested that sanction for a work proposed should be granted within one month and inspection should be carried out soon after the completion of work so that fund could be released timely.

6. The Committee remarked that meetings of the District Level and State Level Monitoring Committees were not held regularly. It directed that Finance Department should take steps to provide detailed information to MLAs regarding the guidelines for utilization of SDF. Though contract for public works were given with specific time limit, for the works implemented using SDF, no such time limit is prescribed. The witness, Officer on Special Duty, Finance (Resources) Department clarified that even if a work could not be completed within a particular financial year, the fund for the same would be carried over to the next years' budget.

7. The Committee pointed out that certain works like road retarring were not permitted under SDF. The aid to educational institutions should be extended with the permission of Finance Department. The Committee observed that due to certain unavoidable circumstances, works were permitted by Finance Department against the prevailing guidelines, which led to audit objection, since rules do not allow exemption. So the Committee decided to recommend that guidelines for the utilization of SDF should be modified so that retarring works of roads, aid to educational institutions etc., could be carried out. In other words the Finance Department should have the right to grand exemption in the case of works executed under Special Development Fund of MLAs.

8. The Committee remarked that it is meaningless to insist annual report and its audited accounts of the institutions which received aid for construction of building under SDF should be submitted to the Government. So such unpractical conditions should be removed from the guidelines.

9. The Committee remarked that as the term 'Asset' suggest not only 'buildings' but also the equipments and furniture, it should be redefined. It opined that guidelines should be revised with provisions for including the construction of staff quarters in Government Institutions like hospitals, providing facilities like drinking water, kanhippura and total sanitation in schools in a constituency irrespective of Government Aided or Government Owned.

10. When the Committee demanded to speed up the settlement of completed works, the witness, Officer on Special Duty, Finance (Resources) Department deposed that Finance Inspection squads at the district level were entrusted for the purpose. They would examine whether there is delay in payment in the works carried out using SDF and would submit quarterly reports. He was optimistic that monitoring could be more effectively done in that way.

11. The Committee suggested that the opinion of the MLAs should also be taken into account while revising the guidelines. For this the Finance Department should convene a meeting of the MLAs to obtain consensus of opinion.

#### **Conclusion/Recommendation**

**12. The Committee was informed that the amount towards SDF would be credited as per utilization and unutilized fund would be carried forward to next year's allocation. So it recommends that while calculating the unspent amount, the works for which administrative sanction was issued should also be taken into account. The Committee directs that District**

**Collectors should take necessary measures to issue Administrative Sanction for the works within one month of the proposal for the same received and also to conduct inspection soon after the completion of work so that fund could be released in time.**

**13. The Committee observes that works permitted by Finance Department against the prevailing guidelines under certain unavoidable circumstances lead to audit objection, since rules do not allow exemption. It suggests that certain works like road retarring aid to educational institution, etc., should be permitted under SDF with the prior permission of Finance Department. So the Committee recommends that guidelines for the utilization of SDF should be modified so that retarring works of roads, aid to educational institutions etc., could be carried out under this head. The Committee directs the Finance Department to take necessary steps to provide detailed information to MLAs regarding the guidelines for utilization of SDF.**

**14. The Committee observes that the guidelines stipulate that annual report and its audited accounts of the institutions, which are aided with SDF for construction of building should be submitted to the Government. It opines that it is meaningless to stick on to such conditions and recommends to remove such unpractical conditions from the guidelines.**

**15. The Committee views that as the term 'Asset' means not only 'buildings' but also the equipments and furniture, the term 'Asset' in the guidelines should be redefined. It opines that guidelines should be revised with provisions for including the construction of staff quarters in Government institutions like hospitals, providing facilities like drinking water, 'kanhippura' and total sanitation in schools in a constituency irrespective of whether the institution is Government aided or Government owned. The Committee suggests that the opinion of the MLAs should be taken into account while revising the guidelines. For this purpose the Finance Department should convene a meeting of the MLAs to obtain consensus of opinion.**

Thiruvananthapuram,  
9th July, 2014.

DR. T. M. THOMAS ISAAC,  
*Chairman,*  
*Committee on Public Accounts.*

## APPENDIX I

## SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	3	Finance	Regarding diversion of ₹ 54.43 lakh from the fund earmarked for the treasury computerisation the Committee remarks that fund provided for major works expended at the will of the implementing officers may lead to financial anarchy. It recommends that while implementing major projects like Treasury computerisation, component-wise break up of expenditure should be shown in the budget itself. The Committee also recommends that Finance Department is bound to maintain appropriation control and should be cautious in complying all the procedures before incurring expenditure.
2	12	„	The Committee was informed that the amount towards SDF would be credited as per utilization and unutilized fund would be carried forward to next year's allocation. So it recommends that while calculating the unspent amount, the works for which administrative sanction was issued should also be taken into account. The Committee directs that District Collectors should take necessary measures to issue Administrative Sanction for the works within one month of the proposal for the same received and also to conduct inspection soon after the completion of work so that fund could be released in time.
3	13	„	The Committee observes that works permitted by Finance Department against the prevailing guidelines under certain unavoidable circumstances lead to audit objection, since rules do not allow exemption. It suggests that certain works like road retarring aid to educational institution, etc., should be permitted under SDF with the prior permission of Finance Department. So the Committee recommends that



(1)	(2)	(3)	(4)
			<p>guidelines for the utilization of SDF should be modified so that retarring works of roads, aid to educational institutions etc., could be carried out under this head. The Committee directs the Finance Department to take necessary steps to provide detailed information to MLAs regarding the guidelines for utilization of SDF.</p>
4	14	Finance	<p>The Committee observes that the guidelines stipulate that annual report and its audited accounts of the institutions, which are aided with SDF for construction of building should be submitted to the Government. It opines that it is meaningless to stick on to such conditions and recommends to remove such unpractical conditions from the guidelines.</p>
5	15	,,	<p>The Committee views that as the term 'Asset' means not only 'buildings' but also the equipments and furniture, the term 'Asset' in the guidelines should be redefined. It opines that guidelines should be revised with provisions for including the construction of staff quarters in Government institutions like hospitals, providing facilities like drinking water, 'kanhippura' and total sanitation in schools in a constituency irrespective of whether the institution is Government aided or Government owned. The Committee suggests that the opinion of the MLAs should be taken into account while revising the guidelines. For this purpose the Finance Department should convene a meeting of the MLAs to obtain consensus of opinion.</p>