

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)**

FIRST REPORT
(Presented on 20th March, 2012)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2012

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FIRST REPORT

On

**Paragraphs relating to Agricultural Department contained in the
Report of Comptroller and Auditor General of India for the
year ended 31st March 2008 (Civil)**

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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 First Report on paragraphs relating to Agriculture Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2008 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31st March 2008 (Civil) was laid on the Table of the House on 23-6-2009.

The Committee considered and finalised this Report at the meeting held on 23rd November 2011.

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,
20th March, 2012.

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

REPORT

AGRICULTURE DEPARTMENT

AUDIT PARAGRAPH

Internal Control in Agriculture Department

Highlights

Internal Control is an integral component of an organisation's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable, and the applicable laws and regulations are complied with so as to achieve organisational objectives. Internationally the best practices in Internal Control have been given in the COSO* framework, which is a widely accepted model for Internal Controls. Government of India has prescribed comprehensive instructions on maintenance of internal controls in Government Departments. In the State, the accounting and other controls are laid down in the codes/manuals of the State. A review of internal controls on limited areas of the Agriculture Department has revealed the following:

- Persistent savings ranging from 10 per cent to 56 per cent were noticed under Plan Revenue expenditure during 2003-08. This shows that budget estimates were not prepared on the basis of actual requirement of funds as stipulated in KBM.
- Monitoring of expenditure was weak as evidenced by the unnecessary supplementary grants, belated reappropriation/surrender of funds and rush of expenditure during March.
- Failure to follow the instructions issued by Government regarding power tariff subsidy to farmers resulted in adoption of different procedures in different offices and extra burden on penalty.

* Committee of Sponsoring Organisations of National Commission of Fraudulent Financial Reporting of the Treadway Commission.

- Owing to weak controls, advances of ₹ 17.75 crore disbursed to departmental officers as early as from 1990-91 were yet to be adjusted.
- The Internal Audit of 13 offices under the Directorate was in arrears for three to five years and more than five years in 150 offices under the three PAOs.
- There were 589 vigilance cases pending finalisation as of October 2008 with Government, Vigilance and Anti-corruption Bureau, Department, etc.

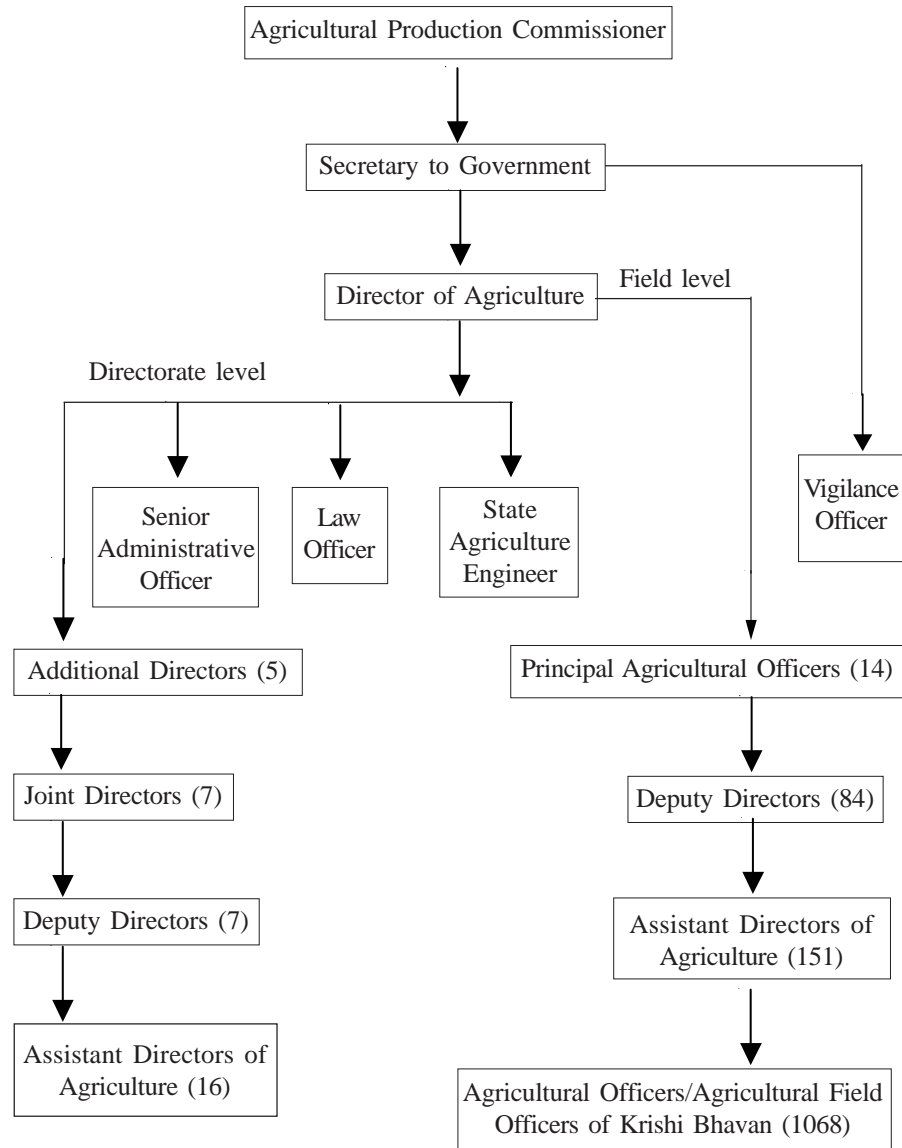
Introduction

Agriculture is the most important and single largest sector of the State's economy accounting for about 20 per cent of the State's income. Important crops of the State include rice, pepper, ginger, turmeric, cashew, banana, vegetables, floriculture, medicinal and aromatic plants.

Agriculture Department is responsible for planning, formulation and implementation of various agricultural developmental programmes for improving living standards of farming community. The important programmes include quality control of inputs like seeds, fertilizers and pesticides, production and distribution of improved seeds and planting materials, evolving cropping strategy, providing crop insurance cover, providing market infrastructure, etc.

Organisational set-up

Agricultural Production Commissioner (APC) and the Secretary to Government, Agriculture Department are the controlling officers at Government level. Director of Agriculture is the head of the department and the chief implementing authority of all the schemes. The organisational structure of the Department is shown below :



Audit Objectives

This review of Internal Control and Vigilance Mechanism in Agriculture department was conducted to test compliance with the instructions in the Kerala Budget Manual (KBM), the Kerala Financial Code (KFC), the Kerala Treasury Code (KTC) and related accounting instructions. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and Vigilance were examined. Internal control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives were also examined for some selected areas.

Audit coverage/methodology

An entry conference was held in January 2008 with the Director of Agriculture. Records and registers for 2003-08 in the office of the Director of Agriculture, four* (out of 14) Principal Agricultural Officers (PAOs) at Districts and two Assistant Directors of Agriculture in each of these selected districts were selected for detailed verification. Four subordinate offices † within the selected districts were also selected. Records pertaining to departmental/autonomous institutions functioning under the department were also scrutinised. The observations made in the Consolidated Inspection Report of the PAO, Thrissur for the year 2006-07 were also included in the Report. An exit meeting was held in October 2008 with the Additional Chief Secretary and Agricultural Production Commissioner.

Compliance with State Financial Rules and instructions in the Budget Manual

Control over budget and expenditure are essential for optimal utilisation of resources to achieve the objectives of the department. Budgetary controls in the department were weak as indicated in the following paragraphs:—

Budget proposals

According to the provisions contained in the Kerala Budget Manual (KBM) budget estimates are to be consolidated by the Head of the Department based on the proposal received from subordinate offices and submitted to Government on the due date each year. There was delay of 3 to 37 days in sending Non-Plan estimates and 18 to 107 days for Plan estimates to Government during 2003-08. Scrutiny of the records of the selected PAOs and Director of Agriculture revealed that the PAOs did not submit the budget proposals to the Director within the prescribed time limit. Further proposals were finalised by the Director and sent to Government without taking into consideration the proposals submitted by the subordinate officers.

* Thiruvananthapuram, Kozhikode, Palakkad and Ernakulam

† Krishi Bhavans, Farms and Agricultural Laboratories.

Non-utilisation of funds

The provision, actual expenditure, savings, re-appropriation/surrender of funds during the period 2003-08 were as follows:

TABLE 1: BUDGET PROVISION AND EXPENDITURE (PLAN)

(Rupees in crore)

<i>Year</i>		<i>Budget Provision</i>			<i>Actual Expenditure</i>	<i>Savings and its percentage</i>	<i>Re-appropriation/ Surrender</i>
		<i>Original</i>	<i>Supplementary</i>	<i>Total</i>			
2003-04	Revenue	93.42	0.14	93.56	62.26	31.30 (33)	31.09
	Capital	0.35	..	0.35	0.28	0.07 (20)	0.07
2004-05	Revenue	96.71	7.00	103.71	92.99	10.72 (10)	14.35
	Capital	0.45	0.02	0.47	0.41	0.06 (13)	0.05
2005-06	Revenue	196.23	14.08	210.31	92.19	118.12 (56)	104.40
	Capital	2.52	..	2.52	1.30	1.22 (48)	1.16
2006-07	Revenue	197.62	129.34	326.96	231.33	95.63 (29)	106.74
	Capital	17.05	..	17.05	1.25	15.80 (93)	15.80
2007-08	Revenue	153.70	4.51	158.21	89.87	68.34 (43)	67.52
	Capital	11.30	0.50	11.80	1.70	10.10 (86)	10.09
	Total	769.35	155.59	924.94	573.58	351.36 (38)	351.27

Source: Detailed Appropriation Accounts of respective years.

KBM stipulates that budget provision should be restricted to the amount required for actual expenditure during the year. There were persistent savings during the past five years in plan expenditure which ranged from 10 per cent to 56 per cent under Revenue Plan. This showed that the process of budget estimation was unrealistic and was attempted without following financial rules and best practices.

Expenditure control system

According to the KBM the controlling officer is required to keep close and constant watch over the progress of expenditure and also take remedial action such as obtaining supplementary grants or timely surrender of funds in case of any probable savings. The following shortcomings were noticed in this regard.

(a) During 2004-05, 2005-06 and 2007-08 supplementary provision of ₹ 7 crore, ₹ 14.08 crore and ₹ 4.51 crore respectively were obtained under revenue section for various purposes as shown in Appendix III. As the actual expenditure in these years was less than even the original provision, the said amounts were withdrawn and re-appropriated to other heads of accounts during these years, the supplementary grant was not necessary and could have been limited to token amount and balance met from re-appropriation.

(b) The re-appropriation/surrender made during 2004-05 and 2006-07 under 'plan' was more than the savings available under the head of account. It was seen that the excess surrender of funds during 2006-07 was due to booking of an expenditure of ₹ 11 crore incurred by the Director of Civil Supplies towards the difference of minimum support price fixed by GOI and the procurement price of State Government to the head of account '2401-00-104-86' whose controlling officer was the Director of Agriculture. The Director of Agriculture stated (April 2008) that at the time of surrender of funds, he was not aware of the expenditure of ₹ 11 crore incurred by the Director of Civil Supplies.

(c) According to para 93 (1) of KBM the proposals for re-appropriation and surrender of savings should reach the Finance Department from the Administrative Department latest by 25th February every year. However, the proposals for surrender/re-appropriation of funds for the years 2005-06 and 2006-07 amounting to ₹ 272.68 crore were submitted to Finance Department on the last working day of the financial year. This indicated absence of adequate mechanism for monitoring the flow of expenditure by the Agriculture Department and Finance Department as well.

Rush of expenditure towards the fag end of the financial year

According to Paragraph 62 (2) of KBM the distribution of appropriations by the Chief Controlling Officer to the Subordinate Controlling Officers and by the Subordinate Controlling Officers among the Drawing Officers should be made as soon as the Budget proposals are approved by the Legislature. The rules also provide for even distribution of expenditure throughout the year for a

better financial control over expenditure. It was however noticed that during the years 2006-07 and 2007-08 there was rush of expenditure in March under Plan schemes as shown below:

TABLE 2 : RUSH OF EXPENDITURE DURING MARCH

(Rupees in crore)

Year	Expenditure during each quarter				Total expenditure during the year	Expenditure during March	Percentage of expenditure in March
	First	Second	Third	Fourth			
2006-07	0.43	12.98	19.59	199.58	232.58	178.44	77
2007-08	0.16	6.75	19.97	64.69	91.57	44.97	49

The expenditure during March was 29 to 33 per cent during 2003-06 whereas it was 77 per cent and 49 per cent of the total expenditure in 2006-07 and 2007-08 respectively. This shows the absence of appropriate controls to monitor the progress of expenditure during financial years and is indicative of imprudent financial management.

Utilisation of Plan funds under Centrally Sponsored Schemes

According to the Plan Progress Report for the years 2003-04 to 2007-08, the percentage of expenditure against budget provision under Centrally Sponsored Schemes (CSS)* were as follows:

TABLE 3: POOR UTILISATION OF PLAN FUNDS UNDER CSS*

(Rupees in crores)

Year	Budget Provision	Expenditure	Percentage of expenditure
2003-04	59.79	32.19	54
2004-05	54.54	49.80	91
2005-06	159.37	52.40	33
2006-07	49.39	12.83	26
2007-08	27.26	13.11	48

* 100 per cent Centrally Sponsored Schemes

During 2005-06 and 2006-07, 33 per cent and 26 per cent respectively of the budget provision were spent under CSS. This showed that the implementation of the CSS such as Coconut Development Scheme for Integrated Farming, National Project on Organic Farming, Seed Infrastructure, Establishment of Bio-Control Lab, AGRISNET, etc., was poor and without proper monitoring. However, in respect of partially aided* schemes, during 2003-08, Government could spend in the range of 56 to 88 per cent except during 2003-04 and 2006-07.

Reconciliation of figures of expenditure

According to para 74 of the KBM, it is the responsibility of the Chief Controlling Officer to reconcile the departmental figures of expenditure with the figures in the books of the Treasury and the Accountant General (A&E) regularly so as to have proper control over the flow of expenditure as well as to detect any misclassification, misappropriation or fraud and to incorporate necessary corrections, wherever necessary, before finalisation of annual accounts. As there was delay in reconciliation, the departmental figures of expenditure did not agree with the figures of Accountant General (A&E).

Agriculture Department is one of the four departments required to prepare Performance Budget as envisaged in para 53 (1) of KBM and present the same in the Legislative Assembly along with the budget proposals for the succeeding year. It was noticed that the figures in the Performance Budget did not agree with the figures in the Statement of Reconciled Accounts prepared by the Department.

COMPLIANCE WITH STATE TREASURY RULES/FINANCIAL RULES

Maintenance of more than one cash book by the same DDO

Government issued directions (January 2003) that one office should have only one cash book and all transactions were to be accounted for in this cash book. Finance Department reiterated (October 2005) the position and issued orders revising the existing forms of Cash Book (Form TR 7A), Register of Cheques (Form TR 8) and also the Register of valuables. However, it was noticed that in all the offices covered in audit, the old form of cash book was still being used. In the office of the Assistant Directors as well as in Krishi Bhavans, Audit observed two separate sets of cash books and Treasury bill books, one for accounting departmental expenditure and the other for accounting the transactions pertaining to Local Self Government Institutions were in use. The directions issued by Government were therefore not being adhered to giving scope for misappropriation.

It was noticed (October 2007) in the Krishi Bhavan, Panjal that the Agricultural Officer had maintained savings bank account in the State Bank of India, Panjal in violation of Codal provisions for depositing funds relating to

* 50 per cent, 75 per cent and 90 per cent CSS.

Kerala Vikasana Padhathi (KVP)* and payments were made out of it subsequently. The DDO also maintained two sets of records—one main cash book for recording regular transactions of the office and another for transactions pertaining to KVP in spite of specific instructions of Government.

It was also noticed that the transactions relating to KVP were not incorporated in the main cash book. The cash book used for recording transactions of KVP was written only up to 20th December, 2006 and thereafter the transactions had not appeared in any record. In this cash book the amount drawn from treasury on a particular date was shown as remitted into the bank account on that date itself and cash balance was shown as 'NIL'. On further scrutiny by audit with treasury bill book, bank account statement and cheque issue register it was revealed that there was misappropriation of ₹ 2.61 lakh of KVP funds as shown below:

- Two contingent bills for a total amount of ₹ 2,00,800 drawn on 26th March 2007 (₹ 1,60,800) and 30 March 2007 (₹ 40,000) respectively towards Fertilizer and Organic Manure and Comprehensive Vegetable Development were neither credited to bank nor disbursed to the beneficiaries.
- Two bills for ₹ 1,50,000 and ₹ 2,32,531 were drawn on 29th March, 2007 and the total of ₹ 3,82,531 was remitted into bank on the same day. Out of this, ₹ 95,035 was paid by cheque in favour of the Padasekhara Samithies and ₹ 2,27,513 was disbursed in cash to the Padasekhara Samithies/beneficiaries by drawing money from the bank. The balance of ₹ 59,983 was neither disbursed nor retained as balance in the bank account.

The Assistant Director of Agriculture, Pazhayannur, Thrissur stated (March 2008) that the amount in bank account (₹ 790.30) was not sufficient to meet the requirement of ₹ 2.61 lakh in the above two cases. Thus it appears that ₹ 2.61 lakh had been misappropriated. The misappropriations took place due to non-maintenance of cash book and violation of Government instructions by the DDO.

Government stated (August 2008) that the Agricultural Officer, Krishi Bhavan, Panjal had been placed under suspension.

Agricultural Production Commissioner, in the exit meeting assured initiation of necessary corrective measures in this regard.

* Programme for implementation of developmental activities through Local Self Government Institutions.

Maintenance of Savings Bank Account in Commercial/Co-operative Banks for keeping Government money

The Kerala Treasury Code (Rule 7) provides that a Government servant may not, except with the special permission of the Government, deposit in a bank, moneys withdrawn from the Government account. The Code also prescribes that when Government moneys in the custody of a Government Officer are paid into the Treasury or the Bank, the head of the office making such payments should compare the Treasury Officer's or the Bank's receipt on the chalan or pass book with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited to the Treasury or the Bank. Government also issued directions (January 1996) to all Heads of Departments to withdraw money, if any, deposited in commercial banks and to deposit the amounts in treasury.

Scrutiny of records (October 2007) in three offices* of the Assistant Director of Agriculture (ADA) revealed that disregarding the codal provisions and Government directions, the ADA, the Drawing and Disbursing Officer (DDO) had opened a current account in the State Bank of India, Kunnankulam in February 2004 for crediting the funds drawn from the treasury for the various schemes implemented by the Department and payments were made out of it subsequently. Further scrutiny revealed serious irregularities like defalcation of money (₹ 6.49 lakh) and temporary misappropriation (₹ 1.79 lakh) aggregating ₹ 8.28 lakh between November 2005 and February 2007 as detailed below:

Defalcation of Government money

The ADA, Chowannur withdrew ₹ 3,21,445 (30th November, 2005) by presenting five contingent bills and showed these as remitted in the bank account on 1st December, 2005 in the cash book. But as per the bank statement the amount credited on 1st December, 2005 was ₹ 2,21,445 only, thus leading to a short remittance of ₹ one lakh.

Similarly ₹ 2,30,947 and ₹ 3,17,880 drawn by the ADA on 31st December, 2005 and 7th October, 2006 respectively on two and four contingent bills were not credited in the bank account though these amounts were shown as remitted in the cash book on 5th January, 2006 and 7th October, 2006 respectively. Thus there was a defalcation of ₹ 6.49 lakh due to short-remittance/non-remittance to the bank account. In order to cover up the difference due to defalcation,

* Chowannur, Kunnankulam and Thrissur.

short-payment was made deliberately to inflate the balances in the bank account as shown below:

The ADA, Chowannur drew ₹ 34,85,125 on 30th November, 2006 on a contingent bill for payment of electricity charges, on behalf of agricultural consumers under the scheme 'Power tariff exemption', to eight Kerala State Electricity Board (KSEB) sections and the entire amount was credited into the bank account on the same date. It was noticed that though payment due to the KSEB section, Koonammoochy was ₹ 17,23,847, the cheque issued to the section on 30th January, 2007 was for ₹ 11,23,847. But in the cheque issue register the amount of cheque was indicated as ₹ 17,23,847 leading to a short-payment of ₹ six lakh.

Temporary misappropriation of funds

The ADA, Chowannur withdrew ₹ 1,78,524 on 30th December, 2006 on contingent bill and showed it as remitted on 4th January, 2007 in the cash book. But as per the bank statement the amount was credited only on 17th February, 2007 indicating temporary misappropriation of ₹ 1.79 lakh for six weeks.

Thus there were lapses on the part of the DDO in reconciling the figures in the cash book with bank's receipts and accounts statements as prescribed in the code which resulted in the defalcation. Based on the Audit observations, the Special Vigilance Cell of the Agriculture Department conducted a detailed enquiry in the Office and seized the records in December 2007. The Vigilance Cell found that the ADA and the Upper Division (UD) clerk jointly defalcated ₹ 7.78 lakh and temporarily misappropriated ₹ 1.81 lakh. The Principal Agricultural Officer informed (January 2008) that the ADA and the UD clerk remitted ₹ 3.89 lakh each on first January 2008 in the bank account.

Government stated (July 2008) that a vigilance enquiry was ordered into the misappropriation in the ADA, Chowannur and the accused officers had been placed under suspension.

It was also mentioned in the Government direction (January 1996) that in case any violation was noticed, the officer responsible will have to pay interest at 18 per cent per annum for the entire period during which the amount was kept outside Government account. It was noticed that the Agricultural officers of Krishi Bhavans and the Assistant Directors of Agriculture at Block Level Offices

test checked were keeping Government money in Savings Bank account opened in Nationalised Banks/Co-operative Banks as shown below:

TABLE 4—DETAILS OF BANK ACCOUNTS

<i>Sl. No.</i>	<i>Name of Office</i>	<i>Details of SB Accounts</i>
1	Krishi Bhavan, Vadakkanchery, Palakkad	A/c. No. 3068 in Service Co-operative Bank, Vadakkanchery. A/c. No. 57049680099 in State Bank of Travancore, Vadakkanchery.
2	ADA, Chowannur, Thrissur	A/c. No. 10411663480 in State Bank of India, Kunnamkulam.
3	Krishi Bhavan, Panjal, Thrissur	A/c. No. 10536592572 in State Bank of India, Panjal.
4	PAO, Palakkad	A/c. No. 134 in District Co-operative Bank A/c. No. 60371 Canara Bank, Palakkad A/c. No. 15788 in Indian Overseas Bank, Palakkad A/c. No. 208 in District Co-operative Bank.

Interest element computed at 18 per cent per annum on the monthly minimum balances held in the Nationalised/Co-operative bank accounts during the period of review in Krishi Bhavans, Vadakkanchery, Panjal, ADA Office, Chowannur and PAO, Palakkad, alone worked out to ₹ 36 lakh.

INTERNAL CONTROL ACTIVITIES

Operational Control

(a) *Concessional electricity tariff to farmers*

Government ordered (August 1995) exemption to all paddy growers from payment of energy charges used for agricultural purposes. The concession was extended from 1st April, 1997 to all small and marginal farmers for all crops. The energy charges under this scheme were being remitted to Kerala State Electricity Board (KSEB) directly by the Agriculture Department. This procedure was modified during 1997-98 and the farmers were reimbursed electricity charges paid to KSEB on the basis of cash receipts produced by them. Later on from 1st April, 1998, the earlier system of direct payment to KSEB was again resorted to. A scrutiny of the records with the Director of Agriculture and the Assistant Directors of the selected districts revealed the following irregularities:

- There was no uniform procedure followed in Thiruvananthapuram district and reimbursement were made to farmers based on the cash receipts produced by them. However, in the other three districts test checked electricity charges were remitted to KSEB by the Assistant Directors of Agriculture.

- The Director of Agriculture had disbursed to KSEB ₹ 20 crore (₹ 5 crore in 2003-04 and ₹ 15 crore in 2004-05) towards pending claims in all the fourteen districts in the State and the officers of KSEB as well as Agriculture Department were required to adjust the amount allocated to the particular district against pending claims. It was, however, noticed that except in Palakkad District no adjustment have been effected in the remaining three districts test checked. The claims raised by KSEB in subsequent years were being settled by the Assistant Directors of Agriculture utilising the budget allotments received by them without adjusting the payments already made by the Directorate.
- When Government reverted to the earlier system of making payment of electricity charges of farmers directly to KSEB from 1st April, 1998 it was ordered that no penal charges would accrue in cases of delay in remittance. However, it was noticed that KSEB included surcharge for delay in making payments which was permitted by the Agriculture Department.

(b) *Drawal of funds through Abstract Contingent Bills*

Rule 187 (d) of KTC stipulates that Detailed Contingent bills (DC) are required to be submitted against Abstract Contingent (AC) bills drawn to the Accountant General (A&E) by 20th of the succeeding month. It was noticed that AC bills for ₹ 1.11 crore relating to 18 DDOs in 30 cases were pending adjustment as of June 2008 due to non-submission of DC bills as detailed below:

TABLE 5—DETAILS OF PENDING AC BILLS

<i>Year</i>	<i>Number of cases</i>	<i>Amount (₹ in crore)</i>
Up to 2001-02	11	0.55
2002-04	Nil	Nil
2004-05	2	0.01
2005-06	11	0.12
2006-07	1	0.02
2007-08	5	0.41
Total	30	1.11

AC bills relating to 1997-2008 were pending adjustment depicting that the department failed to monitor the adjustment of AC bills.

(c) *Advances pending adjustment*

According to Article 99 of KFC and instructions issued by Government, contingent advances drawn by officers for meeting departmental expenses are to be settled as early as possible by presenting detailed bills (incorporating details of payments) duly supported by proper vouchers. The Controlling Officers are required to watch the sanction of advances and speedy settlement of the same. Under no circumstances the settlement of advances is to be carried forward to the next financial year. It was, however, noticed that there was no system in the Directorate to watch settlement of contingent advances drawn by the departmental officers. The records of the four PAOs revealed that contingent advances aggregating ₹ 17.75 crore drawn as early as from 1990-91 still remained to be settled as shown below:

TABLE 6—DETAILS OF ADVANCES PENDING ADJUSTMENT

(₹ in crore)

<i>Year</i>	<i>Amount pending adjustment</i>
Up to 2003-04	9.09
2004-05	4.78
2005-06	0.59
2006-07	2.47
2007-08	0.82
	Total
	17.75

Though the failure to adjust the outstanding advances was pointed out by Audit in the previous Inspection Reports no effective action was taken by the department to settle the advances. Scrutiny revealed that:

- The list of persons against whom the advances are pending included persons already retired from service (A few cases are included in Appendix IV).
- The schemes under which the advances were drawn included Subsidy of Arecanut, Macro Management (Quality Control), Agri Export Zone (AEZ), Organic farming, etc.
- Advances were seen outstanding in cases where amounts were drawn for remitting insurance of vehicles, fuel charges, procurement of office articles, etc.

(d) Non-monitoring of funds released to KSSDA

The department released ₹ 8.67 crore during 2004-08 to Kerala State Seed Development Authority* (KSSDA), Thrissur for procurement and distribution of good quality high yielding paddy seeds to farmers. It was noticed that KSSDA had a stock of about 3425 MT of time-expired seeds worth ₹ 4.80 crore which were not disposed off in public auction. It was also observed that no audit by the department has been conducted so far on the accounts of KSSDA. Thus the objective of timely distribution of high yielding, good quality paddy seeds to farmers could not be achieved mainly due to lack of monitoring the utilisation of funds released to the implementing agency.

Manpower

Prior to decentralisation of powers to Local Self Government Institutions (LSGIs), the Directorate, PAOs at District level and ADA offices at block level were having 432, 302 and 132 clerks which was reduced to 280, 151 and 100 respectively consequent on deployment of 337 clerks to LSGIs from July 2000. This resulted in shortage of staff strength at the Directorate, PAOs and ADAs in range of 35 per cent, 50 per cent and 25 per cent respectively. Though the tenure of the deployment of ministerial staff to LSGIs was specified as three years they continue to serve with the LSGIs and draw salary from the Agriculture Department. Thus the deployment of departmental staff to LSGIs resulted in shortage of staff affecting the internal audit wing and Vigilance cell.

Departmental manual and delegation of powers

It was observed that the department had no manual for guidance of the staff in carrying out their functions. As the department is engaged in multifarious activities for the development of agriculture, the department should have prepared a manual for guidance of its officers to achieve its objectives. The delegation of the financial powers to the officers of the department had also not been revised since 1984.

Non-maintenance of registers

According to Article 63 of the Kerala Financial Code (KFC), each office should maintain a register in Form 4 for recording the objections communicated by the Accountant General so as to monitor progress of action taken on clearance of audit observation. The required register was not maintained in the 28 offices test checked.

The instructions in Article 170 of KFC regarding maintenance of Property Register incorporating the details of land and buildings and other properties of

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

the department were also not followed by the various offices of the department. As a result, the department was not aware of the actual position of the assets at their disposal, encroachment, if any, and their safe custody.

MONITORING INCLUDING INTERNAL AUDIT AND VIGILANCE ARRANGEMENTS

Internal Audit Wing

As part of strengthening of the Internal Audit Wing, based on the directions issued (June 2005) by Government, the department constituted the Audit Monitoring Committee in February 2006 for regular review of the internal audit work. It was noticed that only three review meetings were held against mandatory quarterly meetings. The Internal Audit team has to undertake the audit of 41 institutions/offices under the direct control of the Director of Agriculture and also Special Audit of any other office entrusted. No audit plans were prepared by the wing to complete the audit of various offices in a phased manner. Instead, two or three offices were randomly selected for audit per month by diverting staff from other sections. The audit of 13 offices under the control of the Directorate was in arrears for three to five years.

The District Level Internal Audit team under each PAO consists of two Junior Superintendents and three or four clerks. The details regarding the number of units to be audited and number of units in arrears for more than five years in respect of the four districts selected for review were as follows:

TABLE 7—ARREARS IN INTERNAL AUDIT

<i>Name of PAO</i>	<i>Number of units to be audited</i>	<i>Audit in arrears for 5 years and above</i>
Thiruvananthapuram	107	57
Ernakulam	122	Not available*
Kozhikode	80	60
Palakkad	106	33

The department stated that due to transfer of staff to LSGIs, there was shortage of staff in the department and priority was given for conducting internal audit in cases of retiring officials.

Special Vigilance Cell

A Special Vigilance Cell has been constituted in the Directorate under an Additional Director with the Vigilance Officer (Finance) as the Secretary of the Special Vigilance Cell. Two Senior Superintendents, four clerks, one typist and

* Not compiled by the Department.

one peon are also attached to the Vigilance Cell. The Vigilance Officers have to conduct joint inspection enquiries and submit report to the Director of Agriculture. Apart from the enquiries ordered by Government, Minister of Agriculture, Vigilance and Anti Corruption Bureau (VACB) and Director of Agriculture, the Vigilance Cell have to conduct at least five field inspections every month. As against 400 cases in 1998, there were 589 cases pending as of October 2008 as detailed below:

TABLE 8—VIGILANCE CASES/ENQUIRIES PENDING

<i>Sl. No.</i>	<i>Particulars</i>	<i>Number of cases</i>	<i>Amount involved (₹ in crore)</i>
1	Pending with VACB	48	0.30
2	Pending with Court	31	3.18
3	Pending with Government	188	0.39
4	Pending with Department	98	0.03
5	Enquiry pending	74	..
6	Revenue Recovery proceedings, Appeal petition, etc.	150	0.15
Total		589	4.05

In reply to audit observation, Secretary of the Special Vigilance Cell stated (January 2008) that with present staff strength it would be difficult to complete the pending cases. It was observed that the number of pending cases included cases pending against persons who had already retired/quitted service/died. Majority of the cases are pending finalisation with Government. In a few cases Non-liability Certificate/Liability Certificate had been issued based on directions from High Court/Lok Ayukta.

According to Government orders constituting the Special Vigilance Cell, the staff attached to the Cell were to be posted only with the recommendations of the State Government. It was observed that the postings were made by the Director without the consent of the Secretary to Government. Government in October 2008 had brought the Vigilance Cell under the direct control of the Government.

Response to audit

Principal Accountant General (Audit) conducts audit of the Directorate of Agriculture and its subordinate offices and major irregularities are reported through Inspection Reports (IR). There were 1979 paragraphs included in 349 IRs pending as of June 2008 as detailed below :

TABLE 9—INSPECTION REPORTS PENDING SETTLEMENT

<i>Year</i>	<i>Number of IR</i>	<i>Number of paragraphs</i>
Up to 2003-04	171	615
2004-05	120	492
2005-06	21	280
2006-07	22	366
2007-08 (up to December 2007)	15	226
Total	349	1,979

As per the Kerala Financial Code, the head of the office is to take appropriate action to rectify the irregularities pointed out during audit. But after several years of the issuance of IRs irregularities were not rectified.

Conclusion

Lack of proper internal control systems like internal audit and vigilance in Agriculture Department had resulted in poor budgetary control, inefficient spending, violation of financial rules by DDOs, non-utilisation of Central assistance and irresponsible position to audit. Moreover, the Finance Department had not exercised its control over the Agriculture Department to ensure that rules and regulations are followed for efficient financial management.

Recommendations

- Provisions in the Kerala Budget Manual should be strictly adhered to in preparing budget estimates so as to avoid persistent savings.
- Monitoring of monthly expenditure to be ensured to avoid unnecessary supplementary grant and to facilitate reappropriations/surrender of funds sufficiently early so as to avoid lapse of funds.
- Payment of Power Tariff subsidy to Kerala State Electricity Board should be centralised either at State level or at District level.

- The department should take urgent steps to settle the outstanding advances and strictly adhere to the provisions in the KFC for disbursement and adjustment of advances.
- The department should prepare a manual for the guidance of its officers.
- Internal Audit Wing/Vigilance Cell should be strengthened to reduce pendency of audit/cases.

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

[Paragraph 5.1 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March, 2008 (Civil)].

(Notes furnished by Government on the above audit paragraph are included as Appendix II.)

Regarding the delay of 18 to 107 days in submitting the Plan Estimates to the Government during 2003-2008 and delay of 3 to 37 days in submitting the non-plan estimates, the Committee enquired about the time limit for submitting the Budget proposals to the Finance Department. The Secretary, Agriculture Department, replied that a circular was issued by the Director on 28-5-2010 for giving Budget Estimate of 2011-12 and Revised Estimate of 2010-11 as per the Budget Manual Paragraph 31 and accordingly, the date for submitting non-plan budget is 31-7-2010 and Plan Budget is 15-8-2010. At this juncture, the Committee asked whether suitable disciplinary action had been taken against those responsible. The Committee expressed displeasure over the attitude of the department in not taking necessary action and stated that the Department had not submitted a budget proposal fully based on the guidelines in the Budget Manual during 2003-2008 period. In response, the Secretary, Finance (Expenditure) Department submitted that a special working group is formed in the Finance Department for giving administrative sanctions by 15th of July in order to get a clear picture of anticipated expenditure.

2. The Committee again asked the witness whether the Budget proposal for 2010-2011 had been submitted in time and if not action should be taken against the concerned official and reminded that explanation should be sought from officials regarding the non-submission of Budget proposal of the previous years within the prescribed time limit.

3. While discussing the audit paragraph regarding non-utilisation of funds the Committee examined the Budget provision and expenditure of Plan Schemes during 2003-2004 to 2007-2008. It was noted that supplementary demands for

grants were moved in addition to original grant, expenditure was not made up to the original grant in some years. The Committee remarked that there were persistent savings during the past five years in plan expenditure which ranged from 10 per cent to 56 per cent under Revenue Plan. The Committee pointed out that during 2003-04 out of total Budget provision (Revenue) of ₹ 93.56 crore, (original grant ₹ 93.42 crore and supplementary ₹ 0.14 crore) expenditure was ₹ 62.26 crore only and sought the reason for the same. The Secretary, Agriculture Department submitted that objection of the Accountant General had been taken seriously and this year savings had been brought down to 5%. The Committee observed that the budgeting was poor and the lack of monitoring system and non-compliance of rules were the reasons for this problem.

4. The Committee enquired about the reason for rush of expenditure during March by citing the first quarter expenditure in 2006-07 as ₹ 0.43 crore, second quarter ₹ 12.98 crore, third quarter ₹ 19.59 crore and fourth quarter ₹ 199.58 crore. The total expenditure was shown as ₹ 232.58 crore and the expenditure in March alone was ₹ 178.44 crore. The Secretary, Agriculture Department while admitting that there was rush of expenditure in March every financial year, submitted that it had actually come down to 40% in 2009 and 31% in 2010 from 77% of 2006-07.

5. The Committee opined that in Forestry operation, expenditure naturally occurs during planting of trees, weeding and felling etc. committee enquired about the time of distribution of fertilizers to farmers. The Director of Agriculture replied that in Kuttanad, rice cultivation is more during third quarter. Similarly expenditure increased for coconut seed nuts procurement, planting material production etc.

6. In this connection, the Committee asked whether the current change in the rush of expenditure was due to any climate change in Kol fields of Thrissur, Ponnani and Kuttanad. The Committee also attributed this to lack of proper monitoring on the part of the department. The Director of Agriculture replied in the affirmative regarding the Committee's opinion about the supply of manure and fertilizers from Krishi Bhavan, the expense is met from the budget provision of the department. The Committee also expressed doubt over whether the 65-70 per cent of the funds which were given to Local bodies comes under the Budget provision of the department. The Director of Agriculture answered in the negative but said that the salary and allowances of employees of Krishi Bhavan were disbursed from the Agriculture Department and it comes under plan fund of the department.

7. Regarding the audit objection of keeping two Cash books; one for local bodies, the Committee viewed that even though the power of inspection of

Audit Paragraph relating to Local bodies was earlier vested with PAC, it was later transferred to the Committee on Local Fund Accounts. Also the Committee opined that the C&AG should conduct an audit whenever expenditure exceeds a fixed percentage of the project cost. The Committee agreed with the C&AG's objection regarding the maintenance of two Cash books. It also insisted that the details of expenditure should be with the department regardless of whether the expenditure was through Panchayats or other Local bodies.

8. In response to the Committee's query about the sanctioning of various schemes in Panchayats, the Director of Agriculture said that even though Administrative Sanction is given by the department itself, there is no jurisdiction for monitoring the scheme. The Secretary, Finance (Expenditure) Department submitted that necessary instructions have already been given regarding the maintenance of TR-8, Register of Valuables, TRFA etc. The Committee stressed that the Director of Agriculture should follow the rules and circulars issued by the Government from time to time and the lack of control in the lower echelons was unacceptable. On the Committee's enquiry about the change in TR form, the Secretary, Finance (Expenditure) Department said that the order deals with the Centralised System of Printing, relating to TR5.

9. While discussing about the variations in expenditure during 2003-2006 ie. 29 to 33 per cent of the total expenditure and 77% in 2006-07, 49% in 2007-08, the Committee observed that the absence of appropriate controls to monitor the progress of expenditure during that financial year is indicative of imprudent financial management.

10. The Director of Agriculture further explained that the expenditure of ₹ 118 crore of the Debt Relief Commission was incurred in March 2007 and another expenditure resulting from interest waiver as per the Prime Minister's Package was incurred in March 2008.

11. Regarding the report of monthly requirements and performance, the Secretary, Finance (Expenditure) Department submitted that the report regarding performance and monthly requirements should be given on the 15th of every succeeding month. The witness also stated that they have the latest figures of all departments and they have been following it up very closely and said that performance of all departments was very poor. The Secretary, Finance (Expenditure) Department highlighted the fact that proposals were always submitted on 31st of March and the department is being forced to sanction all such proposals at the eleventh hour. Therefore the rush of expenditure in March becomes inevitable. The witness also opined that this could be avoided by changing over to accrual system of accounting.

12. While going through the audit observation that fund utilisation under Centrally Sponsored Scheme against budget provision was poor, the Committee pointed out that during financial years 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08, expenditure was 54%, 91%, 33%, 26% and 48% respectively. The Committee enquired about the reason for low spending citing the difference in Centrally Sponsored Schemes ranging from 50% to 100%.

13. The Secretary, Agriculture Department replied that the expenditure figures shown by AG was against the budget provision. The Director of Agriculture added that while preparing budget an amount of ₹ 100 lakh or 50 lakh provided in expectation of Central assistance but the actual amount sanctioned would have been less. The Committee expressed doubts about whether Utilisation Certificate had been submitted for the sanctioned amount in the previous year and reiterated that the reason for the same was due to the non-issuance of Utilisation Certificate. The Committee recommended to fix responsibility on the concerned officers and suitable disciplinary action should be taken against them for the failure of implementing various Centrally Sponsored Schemes which were beneficial to the State.

14. The Committee cited a Horticulture Project in Chittoor extending over an area of 1000 sq.m. which had Central Subsidy of ₹ 3.5 lakh and this type of project was widely prevalent in Tamil Nadu. On the Committee's enquiry about this, the Director of Agriculture said that it was precision farming. The Committee expressed concern over the pathetic condition of farmers and demanded to study the feasibility of such farming in our State.

15. The Committee further explained that an approximate amount of ₹ 8 to 8.5 lakh would be required as initial investment for starting the project in an area covering 25 cents and the Central subsidy would be ₹ 3.5 lakh. On this, the Director of Agriculture agreed to submit the details of precision farming. But the Committee expressed displeasure over the department's slackness in not submitting the project for precision farming and elucidated the farming in Tamil Nadu over an area of 10 lakh sq.m. and its yield.

16. The Committee expressed displeasure over department's non-submission of project in time, lack of follow up action, etc. and recommended that the Finance Department and Administrative Department should give more importance to the timely submission of projects for Centrally Sponsored Schemes, allocation of sufficient amount for implementation and monitoring of the Scheme. The Committee opined that State is very backward in implementing the Centrally Sponsored Scheme.

17. In this connection the Secretary, Finance (Expenditure) Department submitted before the Committee that the quantity of Central Assistance had been showing a decreasing trend in the last 2 years. The Finance Department provided enough amount in the budget in anticipation of receipt from the Central Government. But the Departments were not claiming the reimbursement from the Government of India and the onus of reimbursement would fall on the Finance Department. At this juncture, the Committee decided to recommend that in the case of Centrally Sponsored Schemes the reimbursement from Central Government should be claimed by the Administrative Departments themselves.

18. On the Committee's query regarding whether reconciliation was properly conducted by the Chief Controlling Officer with the Treasury and the Accountant General, the Director of Agriculture replied that figures up to December 2009 had been reconciled. But the Committee pointed out the contradiction in the Government reply that massive redeployment of staff hindered the reconciliation process.

19. The Committee noticed that the figures in the Performance Budget did not agree with the figures in the Statement of Reconciled Accounts prepared by the Department and enquired about the reason. The Committee also queried about the delay in conducting the reconciliation every month. The Director of Agriculture replied that reconciliation is done with the Treasury figures as soon as the Statement of the Accountant General is obtained. The witness again submitted that reconciliation is done with both the Accountant General's Statement and Department's account. But on hearing that reconciliation was not done on a monthly basis, the Committee expressed displeasure and stated that the Agriculture Department violated the rules in the Kerala Budget Manual.

20. The Committee further intervened and asked whether the Statement of the Accountant General was received in time from the Treasury and the Director of Agriculture replied in the affirmative. The Committee directed that the Principal Agriculture Officer, being the Drawing and Disbursing Officer should reconcile their accounts with the Treasury and after consolidating, it should be reconciled with the Accountant General, otherwise that would be violation of paragraph 74 of the Kerala Budget Manual. The Committee further directed the department to revive the internal audit wing so that proper monitoring could be effectively done. The Committee decided to recommend that suitable immediate action should be taken against the Drawing and Disbursing Officer if any discrepancy occurs. The Secretary, Finance (Expenditure) Department submitted that the reconciliation Certificate is still pending in both receipt and expenditure cases.

21. The Committee asked the reason for the non preparation of Performance Budget, as per paragraph 53(1) of Kerala Budget Manual, which was to be distributed to the Members for helping them to prepare for debates in the Assembly Session. The Committee further enquired about the present position of the preparation of the Performance Budget for the previous 2 years. The Director of Agriculture replied that the preparation for the current year has not yet started.

22. The Committee invited attention to the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly which stipulated that Annual Performance Report on the expenditure of the budget allocation of a year should be laid on the Table not later than four months after the completion of the financial year. The Committee viewed this lapse on the part of the department seriously and expressed displeasure over the non-issuance of Performance Report, is a breach of Privilege of the Members. The Committee decided to recommend the Government to submit the Performance Budget in the coming year with the other budget documents.

23. The Committee cited the Government direction that one office should have only one cash book and all transactions were to be accounted for in this cash book and enquired whether the department was maintaining two cash books. On the reply of the Director of Agriculture that a single cash book is kept, the Committee sought confirmation as to whether the accounts of Local bodies and Agriculture were entered in the single cash book. The witness replied in the affirmative. The Committee recommended that suitable direction may be issued to the Principal Agricultural Officers during the monthly review meeting to operate only one cash book and to make sure that both the accounts of Department and transactions pertaining to Local Self Government Institutions were in use. The Committee enquired whether any review was conducted to rectify the defects noted by AG such as violation of rules in the Budget Manual and misappropriation. The Director of Agriculture replied in the affirmative and further explained that the defects mentioned in the report had already been discussed and being verified by the Internal Audit Section. But the Committee was not satisfied with the reply and directed that as soon as any defect is noted, it should be discussed in the monthly review meeting and also the guidelines in the Handbook should be strictly followed.

24. The Committee observed that the Agricultural Officer of Krishi Bhavan, Panjal had maintained Savings Bank Account in the State Bank of India, Panjal in violation of Codal provisions for depositing funds relating to Kerala Vikasana Padhathi (KVP) and payments were made out of it subsequently. Also, two contingent bills for a total amount of ₹ 2,00,800 drawn ie. ₹ 1,60,800

on 26-3-2007 and ₹ 40,000 on 30-3-2007 towards Fertilizer and Organic Manure and Comprehensive Vegetable Development were neither credited to bank nor disbursed to the beneficiaries.

25. To this, the Secretary, Agriculture Department, replied that the responsible officers were suspended from service on 24-11-2007 and they were reinstated as per the direction of Review Committee held on 31-3-2010. The Committee specifically asked about the date of sanction for prosecution and the witness said that the sanction was given on 7-6-2010. When enquired about the reason for early suspension of the accused, the witness clarified that the suspension was ordered as per the enquiry report submitted by the Special Vigilance Wing in the Directorate of Agriculture.

26. On the Committee's observation that the inspection was not conducted in a phased manner, the Vigilance Officer, Directorate of Agriculture submitted that a detailed enquiry was conducted by the Anti Corruption Wing of the Vigilance and Anti Corruption Bureau and the case was registered in 2008.

27. The Committee enquired about the utilisation of balance amount of ₹ 59,983, out of ₹ 3,82,531 which was drawn on 29-3-2007 through two contingent bills and remitted into bank on the same day, which was neither disbursed nor retained as balance in the bank account. The Vigilance Officer, Directorate of Agriculture replied that a detailed enquiry is being conducted by the Vigilance and Anti Corruption Bureau regarding this fraud.

28. The Committee opined that disciplinary action and the steps to recover the amount can be initiated simultaneously even if there exists a criminal case. The Committee enquired whether explanation had been sought from the accused. The Vigilance Officer, Directorate of Agriculture replied that Charge Memo had not been served to the accused. The witness further submitted that the amount was recovered in the case at Chowalloor and in the case at Krishi Bhavan, Panjal, Director of Prosecution has been entrusted to take action on July 2006. Not satisfied with this explanation, the Committee sought to know the logic behind ordering suspension without issuing Charge Memo. The Committee opined that Charge Memo should be strictly served even if there is an internal enquiry. The Committee observed that the culprit will easily get off in the absence of a Charge Memo and no action can be taken against the accused by any Court of Law. It also stated that even if the suspension is given pending enquiry, Charge Memo must be issued by the department. The Committee demanded to submit explanation regarding the nature of fault, date of issuance of Charge Memo, the reply of the accused etc. to the Committee.

29. The Committee asked the reason for violating the rule that Government money should be deposited in Treasuries and that prior permission should be availed before depositing the money in any nationalised or Co-operative Bank. The Secretary, Agriculture Department submitted that there was a misappropriation of ₹ 4,60,509 and a case was registered in Vigilance for breach of conduct and falsification of accounts and the accused were suspended on 7-4-2008. The ADA and the clerk were reinstated in service as per the direction of the Hon'ble High Court of Kerala on 4-6-2009 and 28-4-2010 respectively.

30. The Committee enquired whether the amount was recovered with 18% interest. The witness informed that the amount was recovered without levying interest. On this, the Committee recommended to take urgent steps to levy 18% interest and expressed displeasure for the lapse on the part of the department.

31. Regarding the concession given to all paddy growers in the payment of electricity charges for agricultural purposes, the Committee opined that the scheme was not being properly implemented.

32. The Secretary, Agriculture Department referred to a recommendation from the Accountant General that payment of power tariff to KSEB should be centralised either at State or District level. But the Committee was not satisfied with the explanation that the recurrent disconnections due to the delay occurred in remitting the power tariff by the department. The Committee instructed strictly to avoid such disconnections and warned that if any such incidents repeat, the officer concerned will be held responsible. At this juncture, the Secretary, Agriculture Department agreed to provide funds and pointed out that as per a G.O., KSEB should not levy surcharge. The Committee pointed out that as per Central Act 2003, State Government should approach Electricity Regulatory Commission for remission of surcharge and sanction is given by them.

33. The Committee enquired about the failure of the department in monitoring the adjustment of Abstract Contingent Bills amounting to ₹ 1,11,00,000 during 1997-2008. The Director of Agriculture submitted that reply in this regard will be submitted within July 15, after collecting the details from Office of the Accountant General. The Secretary, Finance (Expenditure) Department explained that the Agriculture Department is not showing adequate interest in monitoring the adjustment of Abstract Contingent Bills. Out of ₹ 1,11,00,000, ₹ 92.17 lakh has been adjusted and the amount to be recovered is ₹ 8,82,912. The Committee again enquired as to why the amount was not recovered from the retired officers. The Secretary, Finance (Expenditure) Department admitted that the recovery has been effected from five Assistant Directors, one Deputy Director at Regional Agricultural Technology Training

Centre and the Director of Agriculture. The Committee further asked whether the advance is to be adjusted within the financial year itself. The Director of Agriculture replied that the outstanding advances sanctioned to agencies were varied in certain schemes. The adjustment of amount given to HortiCorp could be done only after the receipt of the Utilisation Certificate from them. The Committee further directed to reconcile the remaining figures before the end of current financial year itself.

34. The Committee enquired about the position of Advance Bill of ₹ 17,75,00,000 pending adjustment. The Secretary, Agriculture Department replied that an amount of ₹ 15.20 crore had been adjusted out of this and the balance will be adjusted by 15th July, 2010. The Committee instructed the department to levy 18% interest on the amount and it should be remitted back to the Treasury before the end of the financial year.

35. The Committee again asked about the pending of settlement of Contingent advances aggregating to ₹ 17.75 crore on 1990-91. The Director of Agriculture replied that the amount was adjusted and agreed to submit details regarding the refund of the balance amount of advance.

36. Regarding the deployment of staff to Local Self Government Institutions, which resulted in shortage of staff in the Department, the Committee pointed out that 65% of the plan fund was transferred to these institutions. The Committee enquired whether any work study was conducted by P&AR Department. The Committee sought to know that whether the department conducted a proper study about the actual requirement of staff with reference to the workload. The Director of Agriculture replied that even though a factual study was not being conducted, new schemes such as State Horticulture Mission, Rashtriya Krishi Vikas Yojana etc. has been launched and additional staff was not being provided. The whole staff of Agriculture Department has been put on working arrangement. One Deputy Director had been provided for each district from District Office. Also in the case of Rashtriya Krishi Vikas Yojana, a huge amount is being spent but no additional staff had been provided to attend the work in Krishi Bhavan.

37. The Committee severely criticized the casual attitude of the department resulting in the dropping of various schemes midway and directed to strengthen the Internal Audit Wing of the department. The Committee also stressed the need for giving clear-cut reasons for demanding additional staff. Also the Committee added that adequate training should be provided to the staff with the help of the officers from the office of the Accountant General. The Director of Agriculture replied that training is being given to Auditors and Ministerial staff

and there is a State level Institute for Technical Officers. But the Committee again specifically enquired whether any training is given to the Internal Audit Wing. The Director of Agriculture replied that training at the Institute of Management in Government only has been given to them.

38. The Committee expressed its dismay on hearing that the department had no Manual for guidance of staff in carrying out various activities of the department and enquired whether any steps had been taken to prepare a Manual. The Director of Agriculture replied that it has been decided to prepare the Manual by referring to similar Manuals in Tamil Nadu and Karnataka and by entrusting the retired employees with the task. At this point, the Secretary Finance (Expenditure) Department opined that the Manual should be framed in accordance with the instructions of the Accountant General.

39. The Committee explained that while preparing the Manual for the department, guidelines suitable for the agricultural atmosphere in Kerala are to be adopted from the Manuals of neighbouring States. Regarding the revision of Financial powers to the officers of the department, the Secretary, Agriculture Department assured the Committee that the proposal was being prepared by the Director and would be completed within one month.

40. The Committee asked about the instructions in Article 170 of KFC regarding maintenance of Property Register incorporating the details of land, buildings and other properties were not being followed by subordinate offices and enquired whether necessary action had been taken. The Secretary, Agriculture Department replied in the affirmative.

41. The Committee enquired whether the monitoring committee which was constituted in February 2006 as per the direction of the Government, was functioning properly and any Audit review was being conducted regularly. The Committee also reminded that the Monitoring Committee should meet once in three months. The Director of Agriculture could not answer the questions raised by the Committee. The Committee remonstrated that the witness should have taken adequate preparation before appearing in front of the Committee. The Committee repeatedly insisted that adequate training should be given to the staff in the Audit wing and blamed the absence of a proper Audit Plan. The Committee criticized the frequent transfer of staff from the Audit wing and the reinstating of suspended employees directly to the Internal Audit wing. The Committee expressed concern at the backlog of 107 units of Audit; 60 out of 80

units was still lagging behind 5 years in Kozhikode and in Palakkad 33 out of 106 units remain to be audited. The Committee felt dissatisfied with the department's reply that backlog of only one year is remaining in all other districts.

42. The Committee enquired about the latest position of 48 Nos. of cases pending with Vigilance and Anti Corruption Bureau which involves an amount of ₹ 30 lakh and out of 589 cases of Vigilance enquiry/Enquiry pending the number of cases settled. The Director of Agriculture informed that only 463 cases were pending out of the 589 cases. The Committee expressed its doubt over the clearing of those 126 cases and asked whether such cases were awaiting the verdict of Court. The Committee also enquired whether any recovery was made from such cases. The Vigilance Officer, Directorate of Agriculture replied that recovery is made in 120 cases and agreed to submit the details of amount involved in the cases which were disposed.

43. The Committee was displeased to know that 349 Inspection Reports were pending during the period from 2003 to 2007 and observed that the pendency can be cleared in any of the two stages viz., Inspection note of the office of the Accountant General and draft report stage and also through the meeting of Monitoring Committees. The Committee severely criticised the situation of pendency in the department and viewed it as grave mismanagement. The Committee opined that the Finance Department had not exercised its control over the Agriculture Department to ensure that rules and regulations were followed for efficient financial management. Lack of proper internal control systems like internal audit and Vigilance in Agriculture Department had resulted in poor budgetary control, inefficient spending, violation of financial rules by DDOs, non-utilisation of Central Assistance and irresponsible position to audit.

Conclusion/Recommendation

44. The Committee observed that there was delay of 18 to 107 days in submitting the Plan Estimates to the Government and that of 3 to 37 days in submitting the non-plan estimates to the Government. It is a clear violation of the provisions in the budget manual. The Committee expressed its displeasure over the indolent attitude of the department in not taking necessary action against those officials responsible for this financial indiscipline. The Committee sternly recommends to seek explanation from the officials regarding the non-submission of budget proposals of the previous years within the prescribed time limit.

45. The Committee sardonically viewed that even though the expenditure had not been fully met from the original grant, supplementary demands for

grants were moved during 2003-04 to 2007-08. The Committee observed that the budgeting was poor and the lack of monitoring system and non-compliance of rules were the reasons for the improper utilisation of funds. The Committee therefore recommends that a proper monitoring system should be enforced to watch the monthly expenditure in order to avoid unnecessary supplementary grant and to facilitate reappropriations/surrender of funds sufficiently early so as to avoid lapse of funds. The provisions in the Kerala Budget Manual should be strictly adhered to in preparing budget estimates so as to avoid persistent savings.

46. Ratifying the C&AG's objection regarding the maintenance of two cash books, the Committee insists that the details of expenditure should be there with the department regardless of whether the expenditure was met through Panchayats funds or other Local bodies.

47. In connection with the non-monitoring of various schemes implemented by Panchayats, the Committee strictly recommends that the Director of Agriculture should follow the rules and circulars issued by the Government from time to time and the lack of control in the lower level was unacceptable and inexcusable. The Committee, while discussing about the variations in the percentage of expenditure during successive years from 29 to 33% in 2003-06, 77% in 2006-07 and 49% in 2007-08, expresses its displeasure over the absence of appropriate control to monitor the progress of expenditure during that financial year and opines that this is indicative of imprudent financial management.

48. The Committee was totally dissatisfied with the low utilisation of funds allotted under Centrally Sponsored Schemes which ranges from 50% to 100%. The Committee also expresses concern over the non-submission of utilisation certificates for the amount sanctioned in the previous year. The Committee reiterates that the difference between actual allotment and the amount expected through Central assistance was due to the non-issuance of utilisation certificate and sternly recommends to fix responsibility on the concerned officers and suitable disciplinary action should be taken against them for the failure of implementing various Centrally Sponsored Schemes within the time frame which would have been beneficial to the State.

49. The Committee feels exasperated by the pathetic condition of farmers who were involved in a Horticulture Project in Chittoor extending over an area of 1000 sq.m. which has a Central Subsidy of ₹ 3.5 lakh. The Committee

recommends to undertake feasibility study to introduce precision farming in our State also after noting that such kind of farming was widely prevalent in Tamil Nadu over an area of 10 lakh sq.m.

50. The Committee expresses displeasure over the department's lack of follow up action in the projects under Centrally Sponsored Schemes and strongly recommends that Finance Department and Administrative Department should give more importance to timely submission of the projects and allocate sufficient amount for implementation and monitoring of the scheme, after assessing that the State was very backward in implementing the Centrally Sponsored Scheme.

51. On hearing that the departments were not claiming the reimbursement from the Government of India in connection with the implementation of Centrally Sponsored Schemes even though the Finance Department provided enough amount in the budget, the Committee strongly recommends that the concerned administrative departments shall submit their claims for the reimbursement within a stipulated time.

52. The Committee was extremely dissatisfied in noticing that much delay has been occurring in conducting monthly reconciliation and that the Performance Budget did not agree with the figures in the Statement of Reconciled Accounts prepared by the Department. The Committee accuses that the department has violated the provisions of paragraph 74 in the Kerala Budget Manual by not conducting the reconciliation on a monthly basis. The Committee directs the department to revive the internal audit wing so that proper monitoring can be done effectively and recommends that immediate action should be taken against the Drawing and Disbursing Officer, if any discrepancy occurs.

53. The Committee views the non-issuance of Annual Performance Report of the Department to the Members of the House as a serious breach of privilege and reiterates that the Report should be laid on the Table of the House not later than four months after the completion of the financial year. The Committee strongly recommends the Government to submit the Performance Budget in the coming year with the other budget documents.

54. While expressing its doubt over whether two cashbooks were maintained in the DDOs, the Committee strictly directs the department to operate only a single cashbook in one office and to make sure that both the accounts of Department and transactions pertaining to Local Self Government institutions were in use.

55. The Committee considers the reply of the department regarding the violation of Rules of the Budget Manual as not acceptable and sternly directs that the matter should be dealt with seriously in the monthly review meeting. The Committee also demands that the guidelines in the Hand Book should be strictly followed and recommends that the department should prepare a Manual for the guidance of its officers.

56. The Committee concludes that there occurred a misappropriation of money in Krishi Bhavan, Panjal, and blames the logic behind ordering suspension to the official without issuing Charge Memo and strictly demands that Charge Memo should be served against the accused even if there was an internal enquiry. The Committee directs to submit explanation covering all aspects of the case including the nature of fault, date of issuance of Charge Memo, the reply of the accused etc. from the department. The Committee also recommends that the misappropriated Government money shall be recovered with 18% interest as prescribed in the Financial Code.

57. The Committee strongly disapproves the habit of depositing Government money in Nationalised or Co-operative Banks instead of in Government Treasuries.

58. While discussing the improper implementation of the Power Tariff Subsidy Scheme resulting in frequent power disconnection, the Committee blames the department for the delay in remitting power tariff to KSEB and warns serious consequences if such incidents repeated. The Committee recommends that the payment of Power Tariff Subsidy to KSEB should be centralised either at State level or at District level. The Finance Department shall provide additional funds wherever necessary for the above purpose.

59. Regarding the failure of the department in monitoring the adjustment of Abstract Contingent Bills amounting to ₹ 8,82,912 during 1997-2008, the Committee enquires the reason for not recovering the amount from the responsible officers and directs that the remaining amount should be reconciled within the end of the current financial year itself.

60. In the case of advance bill of ₹ 17,75,00,000 pending adjustment, the Committee instructs the department to levy 18% interest on the amount and it should be remitted back to the Treasury before the end of the financial year. The Committee also recommends that the department should strictly adhere to the provisions in the Kerala Financial Code for disbursements and adjustment of advances.

61. The Committee harshly criticizes the slouchy attitude of the department resulting in the stoppage of various schemes midway and recommends that the Internal Audit Wing of the department should be strengthened to reduce pendency of audit cases. The Committee insists to impart adequate training to the staff with the aid of the office of the Accountant General.

62. The Committee directs that the department should prepare a Manual of its own for the guidance of its officers, by adopting guidelines suitable for the agricultural atmosphere in Kerala.

63. In the case of functioning of Internal Audit Wing and Vigilance Cell, the Committee expresses displeasure over absence of a proper Audit Plan and frequent transferring of staff and strongly recommends that the Monitoring Committee should meet once in three months.

64. The Committee is displeased with the pendency of Inspection Reports from 2003 to 2007 and was strongly critical of the gravity of mismanagement in the department resulting in poor budgetary control, unproductive spending, violation of financial rules, non-utilisation of Central assistance and irresponsible internal auditing system. The Committee strictly directs the department to take stringent action to overcome these short comings.

Thiruvananthapuram,
20th March, 2012.

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	44	Agriculture	The Committee observed that there was delay of 18 to 107 days in submitting the Plan Estimates to the Government and that of 3 to 37 days in submitting the non-plan estimates to the Government. It is a clear violation of the provisions in the budget manual. The Committee expresses its displeasure over the indolent attitude of the department in not taking necessary action against those officials responsible for this financial indiscipline. The Committee sternly recommends to seek explanation from the officials regarding the non-submission of budget proposals of the previous years within the prescribed time limit.
2	45	”	The Committee sardonically viewed that even though the expenditure had not been fully met from the original grant, supplementary demands for grants were moved during 2003-04 to 2007-08. The Committee observed that the budgeting was poor and the lack of monitoring system and non-compliance of rules were the reasons for the improper utilisation of funds. The Committee therefore recommends that a proper monitoring system should be enforced to watch the monthly expenditure in order to avoid unnecessary supple-

(1)	(2)	(3)	(4)
			<p>mentary grant and to facilitate reappropriations/surrender of funds sufficiently early so as to avoid lapse of funds. The provisions in the Kerala Budget Manual should be strictly adhered to in preparing budget estimates so as to avoid persistent savings.</p>
3	46	Agriculture	<p>Ratifying the C&AG's objection regarding the maintenance of two cash books, the Committee insists that the details of expenditure should be there with the department regardless of whether the expenditure was met through Panchayat funds or other Local bodies.</p>
4	47	”	<p>In connection with the non-monitoring of various schemes implemented by Panchayats, the Committee strictly recommends that the Director of Agriculture should follow the rules and circulars issued by the Government from time to time and the lack of control in the lower level was unacceptable and inexcusable. The Committee, while discussing about the variations in the percentage of expenditure during successive years from 29 to 33% in 2003-06, 77% in 2006-07 and 49% in 2007-08, expresses its displeasure over the absence of appropriate control to monitor the progress of expenditure during that financial year and opines that this is indicative of imprudent financial management.</p>

(1)	(2)	(3)	(4)
5	48	Agriculture	The Committee was totally dissatisfied with the low utilisation of funds allotted under Centrally Sponsored Schemes which ranges from 50% to 100%. The Committee also expresses concern over the non-submission of utilisation certificates for the amount sanctioned in the previous year. The Committee reiterated that the difference between actual allotment and the amount expected through Central Assistance was due to the non-issuance of utilisation certificate and sternly recommends to fix responsibility on the concerned officers and suitable disciplinary action should be taken against them for the failure of implementing various Centrally Sponsored Schemes within the time frame which would have been beneficial to the State.
6	49	”	The Committee feels exasperated by the pathetic condition of farmers who were involved in a Horticulture Project in Chittoor extending over an area of 1000 sq.m. which has a Central Subsidy of ₹ 3.5 lakh. The Committee recommends to undertake feasibility study to introduce precision farming in our State also after noting that such kind of farming was widely prevalent in Tamil Nadu over an area of 10 lakh sq.m.
7	50	”	The Committee expresses displeasure over the department's lack of follow up action in the projects under Centrally Sponsored Schemes and strongly recommends that Finance Department and Administrative Department should

(1)	(2)	(3)	(4)
			give more importance to timely submission of the projects and allocate sufficient amount for implementation and monitoring of the scheme, after assessing that the State was very backward in implementing the Centrally Sponsored Scheme.
8	51	Agriculture	On hearing that the departments were not claiming the reimbursement from the Government of India in connection with the implementation of Centrally Sponsored Schemes even though the Finance Department provided enough amount in the budget, the Committee strongly recommends that the concerned administrative departments shall submit their claims for the reimbursement within a stipulated time.
9	52	”	The Committee was extremely dissatisfied in noticing that much delay has been occurring in conducting reconciliation monthly and that the Performance Budget did not agree with the figures in the Statement of Reconciled Accounts prepared by the Department. The Committee accused that the department has violated the provisions of paragraph 74 in the Kerala Budget Manual by not conducting the reconciliation on a monthly basis. The Committee directs the department to revive the internal audit wing so that proper monitoring can be done effectively and recommends that immediate action should be taken against the Drawing and Disbursing Officer, if any discrepancy occurs.

(1)	(2)	(3)	(4)
10	53	Agriculture	The Committee views the non-issuance of Annual Performance Report of the Department to the Members of the House as a serious breach of privilege and reiterates that the Report should be laid on the Table of the House not later than four months after the completion of the financial year. The Committee strongly recommends the Government to submit the Performance Budget in the forth coming years with the other budget documents.
11	54	”	While expressing its doubt over whether two cashbooks were maintained in the DDOs, the Committee strictly directs the department to operate only a single cashbook in one office and to make sure that both the accounts of Department and transactions pertaining to Local Self Government Institutions were in use.
12	55	”	The Committee considers the reply of the department regarding the violation of Rules of the Budget Manual as not acceptable and sternly directs that the matter should be dealt with seriously in the monthly review meeting. The Committee also demands that the guidelines in the Hand Book should be strictly followed and recommends that the department should prepare a Manual for the guidance of its officers.
13	56	„	The Committee concludes that there occurred a misappropriation of money in Krishi Bhavan, Panjal, and blames the logic behind ordering suspension to the official without issuing Charge

(1)	(2)	(3)	(4)
			Memo and strictly demands that Charge Memo should be served against the accused even if there was an internal enquiry. The Committee directs to submit explanation covering all aspects of the case including the nature of fault, date of issuance of Charge Memo, the reply of the accused etc. from the department. The Committee also recommends that the misappropriated government money shall be recovered with 18% interest as prescribed in the Financial Code.
14	57	Agriculture	The Committee strongly disapproves the habit of depositing Government money in Nationalised or Co-operative Banks instead of in Government Treasuries.
15	58	”	While discussing the improper implementation of the Power Tariff Subsidy Scheme resulting in frequent power disconnection, the Committee blames the department for the delay in remitting power tariff to KSEB and warns serious consequences if such incidents repeated. The Committee recommends that the payment of Power Tariff Subsidy to KSEB should be centralised either at State level or at District level. The Finance Department shall provide additional funds wherever necessary for the above purpose.
16	59	”	Regarding the failure of the department in monitoring the adjustment of Abstract Contingent Bills amounting to ₹ 8,82,912 during 1997-2008, the Committee enquire the reason for not recovering the amount from the responsible officers and directs that the

(1)	(2)	(3)	(4)
			remaining amount should be reconciled within the end of this financial year itself.
17	60	Agriculture	In the case of advance bill of ₹ 17,75,00,000 pending adjustment, the Committee instructs the department to levy 18% interest on the amount and it should be remitted back to the Treasury before the end of the financial year. The Committee also recommends that the department should strictly adhere to the provisions in the Kerala Financial Code for disbursements and adjustment of advances.
18	61	”	The Committee harshly criticizes the slouchy attitude of the department resulting in the stoppage of various schemes midway and recommends that the Internal Audit Wing of the department should be strengthened to reduce pendency of audit cases. The Committee insists to impart adequate training to the staff with the aid of the Office of the Accountant General.
19	62	”	The Committee directs that the department should prepare a Manual of its own for the guidance of its officers, by adopting guidelines suitable for the agricultural atmosphere in Kerala.
20	63	”	In the case of functioning of Internal Audit Wing and Vigilance Cell, the Committee expresses displeasure over absence of a proper Audit Plan and frequent transferring of staff and strongly recommends that the monitoring Committee should meet once in three months.

(1)	(2)	(3)	(4)
21	64	Agriculture	The Committee is displeased with the pendency of Inspection Reports from 2003 to 2007 and was strongly critical of the gravity of mismanagement in the department resulting in poor budgetary control, unproductive spending, violation of financial rules, non-utilisation of Central assistance and irresponsible internal auditing system. The Committee strictly directs the department to take stringent action to overcome these shortcomings.
