

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**ELEVENTH REPORT**

(Presented on 26th June, 2012)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2012

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**On**

**Action taken by Government on the Recommendations  
contained in the Ninety Third Report of the  
Committee on Public Accounts (1998-2000)**

2094/2012.

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COMMITTEE ON PUBLIC ACCOUNTS (2011-2014)

*Chairman:*

Dr. T. M. Thomas Isaac

*Members:*

Shri M. P. Abdussamad Samadani\*

„ Kodiyeri Balakrishnan

„ Benny Behanan

„ C. Divakaran

„ C. P. Mohammed

„ C. K. Nanu

„ K. Radhakrishnan

„ Roshy Augustine

„ M. V. Sreyams Kumar

„ M. Ummer.

*Legislature Secretariat:*

Shri P. K. Muraleedharan (Secretary-in-charge)

„ John Mathew, Joint Secretary

„ T. Manoharan Nair, Deputy Secretary

Smt. M. R. Maheswari, Under Secretary.

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\* Shri M.P. Abdussamad Samadani resigned as Member of the Committee on 29-3-2012.

## INTRODUCTION

I, the Chairman, Committee on Public Accounts having been authorised by the Committee to present this Report on their behalf present the Eleventh Report on Action Taken by Government on the Recommendations contained in the Ninety Third Report of the Committee on Public Accounts (1998-2000).

The Committee considered and finalised this Report at the meeting held on 28th March, 2012.

Thiruvananthapuram,  
26th June, 2012.

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

## **REPORT**

This Report deals with the action taken by the Government on the recommendations contained in the Ninety Third Report of the Committee on Public Accounts (1998-2000).

The Ninety Third Report of the Committee on Public Accounts (1998-2000) was presented to the House on 18<sup>th</sup> December 2000. The Report contains 13 recommendations relating to Transport Department and 2 recommendations relating to Finance Department. The Government were addressed on 2<sup>nd</sup> February, 2001 to forward the Statement of Action Taken and the final reply was received on 16-9-2009.

The Committee considered the Statement of Action Taken on the recommendation at the meeting held on 2-9-2004, 6-1-2009 and 18-11-2009 and decided to pursue further action on Para 23, 24 pertaining to Finance Department. Those recommendations, Government reply and further recommendation of the Committee are included in Chapter I of this Report. The Committee decided not to pursue further action on the remaining paragraphs in the light of replies furnished by Government. Those recommendations and the Government reply are incorporated in Chapter II.

### **CHAPTER I**

#### **RECOMMENDATIONS ON WHICH ACTION TAKEN BY GOVERNMENT IS NOT SATISFACTORY AND WHICH REQUIRE REITERATION**

##### **FINANCE DEPARTMENT**

###### **Recommendation**

*(Sl. No. 2, Para No. 23)*

1.1 The Committee observe that Finance Department has a crucial role in supervising the financial transactions and settling the accounts of various Government Departments. As the Finance Department is the authority releasing funds to various departments it is their duty to watch the utilisation of such funds by the Departments concerned. But in reality, the Finance Department fails to exercise proper control in such matters.

2094/2012.

## ACTION TAKEN

1.2 Finance Department cannot directly interfere with the financial transactions of various implementing Departments. Finance Department has only a partial role now to check the expenditure in a productive manner as the implementing authorities are concerned. Administrative Departments have been allotted the amounts through Budget process. Hence the role of effective implementation of projects and utilisation of provision vests with them.

**Recommendation**

*(Sl. No. 3, Para No. 24)*

1.3 In order to take effective step to check the unproductive expenditure, the Committee opine that Finance Department, should keep a close watch over the utilisation of funds by the department concerned and ensure that the accounts are settled promptly.

## ACTION TAKEN

1.4 Finance Department has now a cross check role in a random manner to check the process through its Internal Audit Wing, Performance Audit and Inspection Wings. Effective check can be carried out only if the above mentioned monitoring systems expand with enough staff strength. Another facility is to strengthen/streamline the role of Finance Officers posted in the major Departments/Offices so that they can effectively supervise the financial transactions of the Departments and also ensure proper settling of accounts of such departments. Computerisation of treasuries in the State is now in its final phase. Once the treasury computerisation and the Wide Area Networking of Treasuries and Finance Department are completed, Finance Department will be in a better position to monitor the financial transaction and compilation of accounts of various departments.

**Further Recommendation**

1.5 The Committee observes that the functioning of the Internal Audit Wing, Performance Audit Wing and Inspection Wing under the Finance Department is not fully satisfactory. The Committee therefore, recommends that Government should evaluate the performance of those wings and Intimate the measures taken to improve the functions of those wings under Finance Department.

## CHAPTER II

**RECOMMENDATIONS IN RESPECT OF WHICH THE COMMITTEE  
DOES NOT DESIRE TO PURSUE ACTION IN THE LIGHT  
OF THE REPLIES FURNISHED BY GOVERNMENT**

## TRANSPORT DEPARTMENT

**Recommendation***(Sl. No. 1, Para No. 22)*

2.1 The Committee understand that working of the Sate Water Transport Department is not at all satisfactory. Not only the profit making measures but also the administrative set-up of the Department proved to be utter failure. The Committee note that the finalisation of accounts is not up to date. They express deep displeasure over the statement of the authorities of the Department that they lack competent staff for the preparation of annual accounts. The Department could have given training to the staff for the preparation of accounts when there was an officer deputed from the A.G's office during 1985-86. But they did not make any effort in this regard. If this type of negligence and inaction continue in this Department it will become very difficult for them to settle the accounts which lags very behind. Therefore the Committee recommend that finalisation of accounts and other related matters should be vested with some autonomous agency, which is capable of finalising the pending accounts and to make it up to date.

## ACTION TAKEN

2.2 The State Water Transport Department staff themselves completed the pro forma accounts up to the year 2005-06 using their own staff. The accounts of 2005-06 were sent to Accountant General for preliminary verification. Based on the comments of AG, certain amendments are being made in the pro forma. Necessary directions are given to Director, State Water Transport Department for completing the accounts for 2006-07 and 2007-08. Up to date pro forma accounts will be sent to Accountant General shortly.

**Recommendation***(Sl. No. 4, Para No. 25)*

2.3 The Committee note that the annual expenditure of the Department has gone up considerably while its income has shown a downward trend. Establishment expenditure, fuel charges, repair works etc. are on the increase. This can be checked only if effective measures are adopted. Considering the reduction in the number of passengers in certain routes smaller boats must be put



into operation re-considering the viability of those routes by which establishment expenditure can be minimized. The Committee would also like to be furnished with the details of action if any taken by Government on the proposal submitted earlier by one of the members of the Committee on the reduction in size of the boats based on passenger requirements.

#### ACTION TAKEN

2.4 The following austerity measures have been implemented to reduce expenditure:

1. The existing routes and boat services have been rescheduled thereby saving 1.25 lakh litres of diesel per annum costing ₹ 25 lakh.
2. Boat services where other transportation facilities are available have been dispensed with.
3. As the number of service boats are dwindling retirement vacancies are being filled up according to the necessity only.
4. Action has been initiated to replace big wooden boats that require seasonal repair by steel and fibre boats. A fibre boat with a passenger capacity of 50 has been introduced in 2002-03. M/s. KINCO has been entrusted to build 10 fibre boats and 11 steel boats during the current financial year. Purchase of 12 steel boats during the financial year 2004-05 is under consideration.
5. The new boats that are being built are designed for a man-machine ratio of 4:1 instead of the prevailing 5:1. This will in turn result in a reduction of staff and salary.
6. Computer has been provided in the Directorate for efficient management.
7. In order to enhance income, point-to-point express boats and village to town express boats have been introduced. The minimum charge in these boats have been enhanced to ₹ 5 from ₹ 3. The speed launch is being rented out and advertisement hoardings were allowed to generate additional income.

#### **Recommendation**

*(Sl. No. 5, Para No. 26)*

2.5 The Committee are surprised to note that no steps have been taken for the construction of the dockyard at Alappuzha for which land was acquired in 1990. Not even the compound wall was completed till 1998. The Committee are of the view that this is serious dereliction of duty on the part of the officials

concerned and recommend that the construction of the dockyard at Alappuzha must be completed within a short span of time and details of action taken by the Government on this must be furnished to the Committee.

ACTION TAKEN

2.6 The compound wall of the said land is completed and the repair works of boats are carrying out here regularly. The activities of Water Transport is decreasing day by day due to the construction of link roads and bridges in the water logged Kuttanad region. Investing a huge amount for the construction of Dry dockyard will not be a right decision. The available slipway which was not in working condition is made workable and this will be enough for the repair works.

**Recommendation**

*(Sl. No. 6, Para No. 27)*

2.7 The Committee realize the fact that loss of the department is increasing year after year. Nobody seems to be aware of the real problems of the department and no sincere efforts have been made for the revamping of the department. If the loss accumulates at this rate, it will affect even the existence of State Water Transport Department. A Director on deputation from other Departments for a short spell has always limitations. Therefore the Committee recommend that a personnel who is well acquainted with the whole problems of State Water Transport Department must be posted as Director on regular basis for revamping the Department.

ACTION TAKEN

2.8 In order to reduce the loss, the Department has controlled the day to day expenses mainly for the consumption of diesel. Moreover, Department desires to diversify its activities to the Tourism and other related fields. Now the losses have been reduced a considerable level by introducing Steel/Fibre Boats which have low maintenance costs and reduced man machine ratio and by enhancing the fare charges. Now an officer well acquainted with the problems of the Department has been appointed as Director even though not on regular basis.

**Recommendation**

*(Sl. No. 7, Para No. 28)*

2.9 The Committee observe that records relating to route wise earning and profitability are not maintained in the Department. Cancellation of schedules is increasing year after year. It comes to 9.47 per cent of the total schedule, 8.10 lakh Kilometres had been reduced due to cancellation of schedules in 1991-92

alone. The loss per Km. which was ₹ 2.98 in 1985-86 has gone up to ₹ 11.26 in 1992. This shows that loss increased rapidly though there is reduction in running kilometres due to cancellation of schedules and saving on account of non-consumption of fuel. Therefore the Committee recommend that care should be taken to cancel unprofitable schedules giving due consideration to the social necessity in the area and a study conducted to assess the earning per Km. in each sector of Water Transport and detailed report in this regard should be furnished to the Committee.

#### ACTION TAKEN

2.10 The main objective of the department is to provide travel facilities to the water logged areas of the State mainly Kuttanad region. Since the Department is providing public utility service it cannot be run on a profit making basis, recording loss or profit on route basis. But route way collection is recorded promptly. As the fare charge is fixed not on the basis of cost of fuel. spare parts, timber, other items and salary of employees the Department could never make profit. However, Department is making every effort to reduce the cost of operation and thereby to bridge the big gap between revenue and expenditure as detailed in Para 25 above.

#### **Recommendation**

(Sl. No. 8, Para No. 29)

2.11 The Committee note that there is surplus staff in State Water Transport Department. But in spite of over staff strength in the maintenance wing boats are being kept in the dockyard for a long time and in some cases boats are being got repaired outside by private agencies. The Committee are of the view that the inordinate delay in repairs of boats resulted in cancellation of large number of schedules. The number of boats taken for repair are increasing. While the number of boats taken out after repair is decreasing. The Committee recommend that a work study should be conducted to assess the requirement of staff in each sector of the department and surplus staff if any must be redeployed.

#### ACTION TAKEN

2.12 160 posts as detailed below found as surplus has been abolished.

Boat Master	.. 35
Boat Syrang	.. 35
Boat Driver	.. 35
Boat Lascar	.. 40
Peons	<u>.. 15</u>
	<u>160</u>

Further service cancellation has been reduced to 4% Repairs of Boats have also been increased as detailed below:

	<i>Major</i>	<i>Minor</i>
2001-02	11	10
2002-03	20	30

**Recommendation**

*(Sl. No. 9, Para No. 30)*

2.13 The Committee note that fitness certificates are not issued to those boats in operation in spite of remittance of fee and inspection of boats from time to time. The Committee doubt that the certificate is not issued because the boats are too old and are likely to endanger the public. Therefore the Committee insists that only those boats with proper fitness certificate must be used for service.

ACTION TAKEN

2.14 No boat that is unfit for service is now being used for service. Special care is taken to obtain fitness certificate to boats before the expiry of the respective fitness certificate.

**Recommendation**

*(Sl. No. 10, Para No. 31)*

2.15 The Kerala Financial Code stipulates that Government Departments should conduct physical verification of stores periodically at least once in a year. But in State Water Transport Department physical verification of stores has not been conducted for over nine years. Internal Auditing is also conducted in an irresponsible manner. This is a serious omission on the part of the Department. The Committee recommend that strict disciplinary action must be taken against those officers who irresponsibly violated the stipulations in the Kerala Financial Code which caused non-verification of stores for over nine years and a report regarding the items in the stock, shortage if any etc. should be furnished to the Committee without delay.

ACTION TAKEN

2.16 The annual verification of stores in the Dock and Repair Section of the Department is conducted at the close of every financial year. Internal audit wing of the Department is conducting physical verification of stores under the supervision of a Senior Superintendent and Junior Superintendent with all its

seriousness and excess/short if any found is recorded in the Bin cards. The Department had initiated steps to recover the loss sustained to the Department from the concerned.

2.17 In 1996-97 about 2138 items were verified physically and 20 items were found excess and 7 items short. In 1997-98 among the 1449 items, 31 items found excess and 18 items short. In 1998-99 out of the 1400 items verified, 37 found excess and 4 short. In 1999-2000 out of the 1505 items only four items found excess with nothing short. For the year 2000-2001 is also verified.

2.18 The excess found were taken into stock and action are being taken to recover the cost of short items from the officials concerned.

**Recommendation**

*(Sl. No. 11, Para No. 32)*

2.19 The Committee note that no action was taken against the persons including the Works Manager who caused loss of timber and spares worth ₹ 6.35 lakh. The negligence of the authorities to take action against such guilty persons will give a 'fertilizing effect' to others for resorting to corruption. Therefore the Committee recommend to conduct a fresh probe into this incident and responsibility fixed and the loss sustained if any should be recovered from the irresponsible officers.

ACTION TAKEN

2.20 Several allegations including the timber and spares issue are under the investigation of Vigilance Department. Mechanical Engineer Shri K. Babu and Shri K. K. Sasidharan, Director were placed under suspension vide G.O. (Rt.) No. 36/01/Vig. dated 21-1-2001 and the investigation is continuing.

**Recommendation**

*(Sl. No. 12, Para No. 33)*

2.21 The Committee understand that repair works of only one boat is attended to at a time. This causes wastage of time and idling of manpower. The Committee are of the view that if more repairing sections are constituted by proper deployment of the available manpower without any additional financial commitment it will speed up repair works of boats. This may also help to reduce damaging of boats due to anchoring in canal and docking in the yard for a long time. The Committee suggest that necessary steps must be taken to ensure timely completion of repair works of boats. Necessary training should be imparted to the newly recruited workers in the repairing section.

## ACTION TAKEN

2.22 Now the work is distributed as follows:

1. *Running repair section.*—The day to day repair of the boats are attended by a team of Mechanics, Carpenters and Caulkers.

2. *Major Repair Section.*—In this section Carpenters are exclusively posted on boat wise for major body works.

Apart from this Mechanics are posted for preventive maintenance work.

**Recommendation**

(Sl. No. 13, Para No. 34)

2.23 The Committee note that stock verification has not been conducted systematically in the Department. A large quantity of nails and rivets become useless due to rusting. Large quantity of scrap and unwanted items heaped up in the dockyard have reduced the space for repair works. The Committee observe that if these unwanted items are disposed off more boats can be repaired at time. Accounts and records of supply and stock in position are not being maintained systematically. The Committee suggest that stock verification should be conducted strictly and systematically to know the number of each items in the stock and aid to ascertain shortage if any and necessary disciplinary action must be taken against those who cause damage to various items by improper utilization. It is seen that the Department resort to local purchase of copper rivets at frequent intervals. The Committee express their displeasure on the Statement of the authorities of the department that local purchase is resorted to for avoiding delay in receiving items. The Committee suggest that when a tender is accepted for the supply of items (worth ₹ 25 lakh every year) it must be ensured that the tenderer supplies the items within a specified time limit.

## ACTION TAKEN

2.24 Department's audit section is conducting stock verification every year.

2.25 Department had disposed off the unserviceable items of the Dock and Repair section as per the survey report furnished by the Mechanical Engineer on 7-12-1998 to M/s. SILK.

2.26 Receipt of supply of materials within the delivery period itself will be ensured in future as recommended. All unserviceable items and articles are being sold after giving due advertisements on the basis of the survey report of the Mechanical Engineer of the Department.

**Recommendation***(Sl. No. 14, Para No. 35)*

2.27 The Committee understand that Kerala Water Transport Department since its inception has not made any profit. Now the average loss is ₹ 5 crore every year. They are of the view that this is the result of mismanagement, lack of proper planning and ignorance about the real problems of the Department Water Transport, the scope of which is diminishing every year should have to be revamped. Though profit making seems to be a mirage in the case of State Water Transport Department, its loss can be minimized if effective steps are taken at the appropriate time.

## ACTION TAKEN

2.28 Department has initiated several effective steps to minimize the loss to the possible limit by reducing the consumption of HSD. Oil, disposing old and unserviceable boats, abolishing excess posts, redeploying employees, introducing small size FRP boats with Hydraulic Gear Boxes, revision of fare charges etc.

**Recommendation***(Sl. No. 15, Para No. 36)*

2.29 The Committee note that many details promised to be furnished to the Committee has not been furnished even after a lapse of one year. The Committee express, their displeasure in this regard and recommend that the details called for should be made available to the Committee at the earliest and some meaningful strategy must be evolved to revive the entire set-up of the department without detriment to the interests of the employees and considering social necessity.

## ACTION TAKEN

2.30 As per letter No. A1/9144/96 dated 29-8-2002 the Director, State Water Transport Department had furnished the required details to the Chairman, Committee on Public Accounts 1998-2000.

2.31 Following measures were taken to revive the entire set-up of the Department:

1. Decided to replace boats that are more than 25 years old. Consequent for that orders for the purchase of 11 Steel boats and 10 Fiber boats have been placed before the Kerala Shipping and Inland Navigation Corporation.

2. Major repair has been done on 37 old boats.
3. Security staff have been appointed to control passengers at Ernakulam.
4. Safety gad jets necessary to boats have been purchased.
5. All boat employees and passengers have been brought under insurance coverage.
6. Stringent action has been taken to check overload.

Thiruvananthapuram,  
26th June, 2012.

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



## APPENDIX I

## SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

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<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
1	1.5	Finance	The Committee observes that the functioning of the Internal Audit Wing, Performance Audit Wing and Inspection Wing under the Finance Department is not fully satisfactory. The Committee therefore, recommends that Government should evaluate the performance of those wings and intimate the measures taken to improve the functions of those wings under Finance Department.

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