

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2008-2011)**

NINETY FOURTH REPORT

(Presented on 29th June, 2009)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2009

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On

**Action taken by Government on the Recommendations contained
in the Hundred and Fourteenth Report of the
Committee on Public Accounts
(2004-2006)**

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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 Ninety Fourth Report on Action Taken by Government on the Recommendations contained in the Hundred and Fourteenth Report of the Committee on Public Accounts (2004-2006).

The Committee considered and finalised this Report at the meeting held on 10th June, 2009.

Thiruvananthapuram,
29th June, 2009.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the 114th Report of Public Accounts Committee (2004-06).

The 114th Report of the Committee on Public Accounts (2004-06) was presented to the House on March 16,2006. The Report contained seven recommendations relating to Finance Department. Government were addressed to furnish the statement of action taken on the recommendations contained in the Report on 7-4-2006 and the final replies were received from Government on 16-8-2007.

The Committee examined the action taken statements at its meeting held on 28-11-2007. The Committee were not satisfied with the statement of action taken by Government on the recommendation Nos. 1,3,6 and 7 (Para Nos.10,12,15 and 16) and decided to pursue them further. Those recommendations, replies furnished there on and further recommendations are included in Chapter-I of this Report.

The Committee decided not to pursue further action for the remaining recommendations in the light of the replies furnished by Government. Such recommendations of the Committee and Action taken by Government are incorporated in Chapter II of the Report.

CHAPTER I

RECOMMENDATIONS IN RESPECT OF WHICH THE ACTION TAKEN BY GOVERNMENT ARE NOT SATISFACTORY AND WHICH REQUIRE REITERATION

FINANCE DEPARTMENT

Recommendation

(Sl. No. 1 Para No. 10)

1.1 The Committee finds that the project for computerisation of all Treasuries and Sub Treasuries in the State in a phased manner and to link the computers through WAN with on-line facilities between Directorate of Treasuries and the Finance Department has not yet been completed in all respects though more than seven years had elapsed since its sanction. The Committee is happy to note that computerisation of all the 189 treasuries except the one at Kattappana was completed and the transactions had been automatised. But the linking of the various treasuries with the Directorate of Treasuries and

Finance Department is yet to be completed. Since good governance is always dependent on strict financial management and control it is highly essential that the Finance Department should have latest data regarding the exact ways and means position of the State. The Committee understands that orders had been issued to set up a separate network exclusively for treasuries as the utilisation of free bandwidth offered by the private internet cable companies would take time. The Committee recommends that an all out effort should be made to complete the networking of treasuries within a time frame so that the financial transaction made by them could be viewed and co-ordinated by the Director of Treasuries and Finance Department simultaneously and financial discipline and control could be exercised.

Action Taken

1.2 All the 197 Treasuries in the State are computersied and only online transactions are being held in these Treasuries. Though the WAN project including its software requirements has not been finalised, a Dial-up Networking system is now operational. As per G.O. (Rt.) No.6599/05/Fin. dated 22-9-2005, Government have accorded sanction for setting up of a Dial-up Network for data transfer between Treasuries and Directorate and Finance Department, to achieve the real benefit of Treasury Computerisation like effective budgetary control, monitoring of cash flow etc. The Dial-up Network system has been implemented successfully in this Department. Accordingly, all the transaction details in all the 197 Treasuries in the State are transferred to the central server in the Directorate, which is then consolidated and made available to Finance Department. Internet access is also being made possible for the purpose. Accordingly the recommendation of the Honourable Public Accounts Committee has been implemented.

Further Recommendation

1.3 Although all the 197 treasuries in the State have been computerised, the online transactions has not been completed till date in these treasuries. The Committee recommends to complete the online transactions in the treasuries immediately.

Recommendation

(Sl. No. 3 Para No. 12)

1.4 The Treasury Code and the Kerala Financial Code were formulated before the introduction of the computers. As new technology is infused , it should be examined whether consequential changes have to be effected in the various provisions of the Codes. The Committee therefore recommends to the Government to look into this matter and make amendments in the provisions of the Codes if necessary.

Action Taken

1.5 With the introduction of computers in the Treasury Department the major change in the accounting procedure and payment is the introduction of Pay Order Cheque (POC) system. With the introduction of POC, the Treasury Officers issue POC to customers for the net amount and the customers get it encashed from Banks within 3 months time. With the introduction of this system, accounting procedure has changed and these changes have to be incorporated in the Account Code/Treasury Code by suitable amendments.

1.6 As per the new system, debits in Government accounts are made when the bill is passed in Treasury, but it gets reflected in Reserve Bank Deposit only when the POCs are encashed in Banks. This also requires amendment in Codes/Rules.

1.7 Besides, all hitherto manually prepared registers and schedules are now generated through computer system and to dispense with this manual preparation of registers, necessary code amendment has to be made.

1.8 The above aspects are being examined in detail and necessary amendments to Account Code/Treasury Code will be made immediately.

Further Recommendation

1.9 The Committee suggests that necessary amendment to Account Code/Treasury Code has to be made immediately.

Recommendation

(Sl. No. 6 Para No. 15)

1.10 The Committee observes that in the purchase of Computer UPS for introducing WAN system in the Treasury Department many UPS purchased were faulty and lacked required specifications. Though they are modified by the firm on request 17 UPS found faulty were not replaced. This shows that the systems were installed without requisite test report in disregard of the conditions in the supply order. Later the department purchased two UPS system worth Rs. 2.64 lakh from KELTRON due to frequent failure of the UPS supplied by the firm. Thus the Committee points out that the department should have taken adequate precautionary steps to check and verify performance of the equipments before making an agreement with the firm.

Action Taken

1.11 67 numbers of UPS were purchased during 1999 from M/s. Benson Power Control Limited. The Technical Committee for Treasury Computerisation

tested the UPS and observed that 17 of them were not functioning properly. The company was then requested to rectify the defects. As recommended by the Technical Committee these UPS were rectified and had been used in the Treasuries. Now adequate precautionary measures are taken to check and verify the equipments before purchases are made.

Further Recommendation

1.12 The Committee wants to know the number of UPS in working condition which were purchased during 1999 from M/s. Benson Power Control Limited. The Committee also wants to know whether the 17 UPS which were found faulty were functioning properly after rectification. If not the Committee would like to know whether the department had taken adequate and timely steps to replace the faulty UPS or else the responsibility should be fixed and action taken against the officers for dereliction of duty.

Recommendation

(Sl. No. 7 Para No. 16)

1.13 The Committee opines that if a network is established between computers in the Treasury Department and Accountant General's Office, that may avoid delay in reconciliation, Voucher/Bill verification and other transactions. It is understood that discussions are going on between the Finance Department and the Accountant General's Office to overcome the difficulties owing to the procedural difference between the department and the Accountant General's Office. The Committee desires to know the developments achieved in this regard.

Action Taken

1.14 As already pointed out in reply to Para 10, a Dial-up networking system is now operational in the Department. This enables to transfer all the data relating to all the Treasuries in the State to the Central server in the Directorate. These details are then consolidated in the Directorate by the system and is accessible by the Finance Department through Dial-up. In addition, these details are now being made available in the Internet. Drawing and Disbursing Officer – wise/vouchers – wise details thus available in the Internet can be accessed by the Accountant general and by the Heads of Departments, based on which reconciliation and effective financial management is possible. This facility will be operational in full swing by 30th September 2006.

1.15 Transaction date is sent by Treasuries to the server in the Directorate of Treasuries, through Dial-up system established and this is received only when

accounts are closed in the Treasuries. The data received in Directorate is uploaded to a central data base and is published in the Internet through the web server in Data Centre, Co-Bank Towers.

1.16 The website address is www.treasury.kerala.gov.in and the common user name to login is 'officer' and password is "temp 2006".

Further Recommendation

1.17 **The Committee wants to know whether the dial-up networking system is operational in full swing now. If not, the Committee recommends that the department should take urgent steps for operating the dial-up networking system in full swing.**

CHAPTER II

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

FINANCE DEPARTMENT

Recommendation

(Sl. No. 2 Para No. 11)

2.1 All the financial transactions of the Government are being carried out by the treasuries besides, treasuries are operating as Savings Banks also. A cross section of our society depends upon the treasury offices for various purposes. In short, treasuries reflect the capability of the Government in financial management. To achieve this end, adequate in-service training should be provided to all the personnel who are posted in the treasury branches so as to enable them to acquire efficiency in computer operation and also to achieve user-friendly atmosphere in the treasury offices.

Action Taken

2.2 All Treasury personnel are given adequate in service training in the Institute of Management in Government.

2.3 The service of resource personnel of Treasuries Department capable of imparting training is utilised.

2.4 All the Treasury Officers and staff in the Department are now capable of handling computer system for the conduct of the on-line transactions and Dial-up Networking.

2.5 The training from the Institute of Management in Government has enabled the Treasury personnel to keep user-friendly atmosphere also.

Recommendation

(Sl.No.4 Para No.13)

2.6 The Committee understands that there were errors of judgment and mistakes at the initial phase of the computerisation. It is also understood that the main reason for failure in attaining the target at the initial stage was the lack of adequate infrastructural facilities. This shows absence of proper planning on the part of the Department. The Committee opines that while implementing a new venture in a Government department, proper planning with a good sense of vision be exercised at the time of its formulation by the proponents of the project.

Action Taken

2.7 All the Treasuries in the State have now been computerised and on-line transactions are being done in the Treasuries. All the infrastructure facilities for computerisation have been provided in all these Treasuries and new Treasuries are opened only after providing the necessary infrastructure facilities.

2.8 In order to maintain the smooth function of the computers and accessories, a Facility Management System has also been implemented with effect from 1-4-2006 for the maintenance and upkeep of computers as per G.O. (Rt.) No. 267/06/Fin dated 12-1-2006. This is functioning smoothly.

2.9 The lack of planning in the initial stages of computerisation, as pointed out by the Honourable Committee, has now been overcome and the entire system is now functioning effectively.

Recommendation

(Sl. No. 5 Para No. 14)

2.10 The Committee finds that the receipt of the equipment worth Rs. 77.28 lakh from KELTRON has not been taken to stock. Besides, the Director of Treasuries effected full payments towards the purchase prior to the installation of those equipments in the Department. Moreover, the Committee finds that in the contractual agreement entered into with the KELTRON for the setting up of WAN facility the department reconciled to only one year warranty contrary to 3 years as recommended by the Expert Committee for reasons unknown. The Committee desires that the Government should furnish all details including that of the reasons for not incorporating the provision for 3 year warranty as specified by the Expert Committee in the contract between Directorate of Treasuries and KELTRON.

Action Taken

2.11 In Para 1 of the G.O. (Ms.) No. 1856/99/Fin. dated 20-9-1999, it was laid down that the Expert Committee had recommended the acceptance of the proposals of KELTRON subject to the condition that 3 year warranty shall be insisted. However, M/s KELTRON submitted agreement and revised proposal to Government with warranty limited to 1 year for all components and products support guaranteed for 7 years through an AMC agreement. Government have decided to accept the above offer annually for a period of 6 years from expiry of warranty of 1 year as per G.O.(Ms.) No.1856/99/Fin. dated 20-9-1999.

Thiruvananthapuram,
29th June, 2009.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>
(1)	(2)	(3)	(4)
1	1.3	Finance	Although all the 197 treasuries in the State have been computerised, the online transaction has not been completed till date in these treasuries. The committee recommends to complete the online transactions in the treasuries immediately.
2	1.9	„	The Committee suggests that necessary amendment to Account Code/Treasury Code has to be made immediately.
3	1.12	„	The Committee wants to know the number of UPS in working condition which were purchased during 1999 from M/s Benson Power Control Limited. The Committee also wants to know whether the 17 UPS which were found faulty were functioning properly after rectification. If not the Committee would like to know whether the department had taken adequate and timely steps to replace the faulty UPS or else the responsibility should be fixed and action taken against the officers for dereliction of duty.
4	1.17	„	The Committee wants to know whether the dial-up networking system is operational in full swing now. If not, the Committee recommends that the department should take urgent steps for operating the dial-up networking system in full swing.